FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,446 Monday January 25 1988 D 8523 A

Californian quake strikes Midland Bank, Page 12

World News | Business Summary

90 killed in Chinese railway accident

An express passenger train was derailed in southern China, killing 90 people and seriously injuring 66 others, the official Xinhua News Agency reported. The cause of the accident was not known, Xinhua said. It was China's fifth major transport accident in two weeks, with a total of 265 people killed.

Clashes in Bangladesh

Bangladeshi police shot dead at least 10 people after opposition leader Sheik Hasina led a demonstration through the streets of Chittagong demanding President Hussain Muhammad Ershad's resignation. Page 2

South Africa stabbings

Five blacks were stabbed to death and two black women were abducted as factional violence in the power struggle between the United Democratic Front and Inkathacontinued in and around Pietermaritzburg.

Goria seeks vote

The Italian Government led by Mr Giovanni Goria will demand two Parliamentary votes of confidence today after suffering further defeats over its delayed and accident-prone 1988 budget proposal. Page 3

Zanzibar in turmoil

Zanzibar President Irdus Abdul Wakil yesterday took control of the island's militia, one day after dismissing his entire cabinet and the island's Revolutionary Council. Page 2

Soviets inspect US site

A group of 20 Soviet specialists left Moscow yesterday for a visit to the US nuclear test site in the Nevada desert, returning a visit by a US delegation to the Soviet test site at Semipalatinsk earlier this month. Reagan and the INF treaty, Page 2

No result in Haiti

The military government of Haiti still failed to declare a winner a week after the impoverished nation's first democratic elections in 30 years. Figures broadcast so far show the front runner to be Leslie F. Manigat, 57, a political science professor.

Contra aircraft crashes

Sandinista troops reportedly shot down a rebel supply aircraft in the south-eastern province of Chontales, Nicaragua. A contra spokeswoman in Miami said 11 crew members died when the DC-6 crashed.

Turkey, Greece to talk

Turkish Premier Turgut Ozal will meet Greek Premier Andreas Papandreou during an international conference in Switzerland at the end of the month. The two Nato members have been quarrelling for years over Cyprus and twice came to the brink of an armed clash over Aegean oil prospecting and drilling rights.

Pirates hijack tanker

Pirates hijacked a 260-tonne tanker on Manila Bay, the Philippines, stole its cargo, tied up the crewmen and threw them overboard. Two crewmen were missing and presumed dead. The pirates took the tanker's chief engineer hostage.

Lerner in Vienna

Soviet scientist Alexander Lerner, doyen of the Jewish emigration movement, arrived in Vienna yesterday on his way to a new life in Israel after waiting 16 years to emigrate.

Dissidents released

East German authorities have allowed 54 dissidents, arrested for staging a demonstration during an official rally, to leave the country for West Germany.

Light aircraft collide

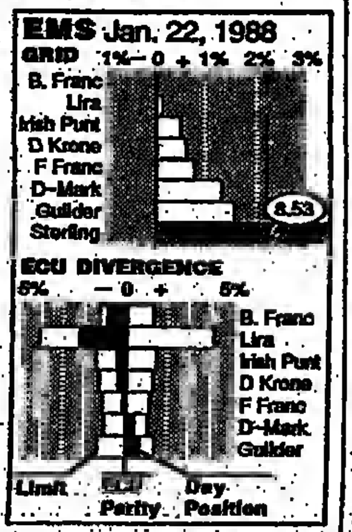
Two aircraft collided over the Los Angeles suburb of Temple City and one crashed into a yard adjacent to a house, killing two aboard the craft. The other aircraft landed safely.

Roche bid revives US fears over Swiss laws

HOFFMANN-LA ROCHE, Basle-based drugs group, which withdrew its offer for Sterling Drug, the diversified New York drugs company, has revived US concern about Swiss corporate and secrecy laws. Several congressmen are urging Washington to study whether the laws impair US shareholders' rights when a Swiss company tries to takeover an American company. Page 19. Background, Page 10

EUROPEAN Monetary System: Currencies remained within a relatively narrow range in comparison to the sharp fluctuations seen the week before. The dollar was supported by the prospect of central bank intervention but there was no incentive to push it firmer.

The Belgian central bank took advantage of the lull and announced a small reduction in short-term interest rates. Although the Belgian franc remained the weakest member its was trading comfortably within its divergence limit. Currencies, Page 36



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

TDK, world's largest manufacturer of magnetic tapes, showed 20 per cent rise in profits for the year ended last November. TDK reported pre-tax profits up to Y32.6m on sales slightly down to Y352bn. Page 19

BRITAIN'S big independent economic forecasters expect the economy to grow by 2.4 per cent in 1988, down from an expansion rate of nearly 4 per cent last year. Page 6

TOKYO: The Nikkei index topped 23,000 for the first time since December 11 in Saturday's half-day session. It gained 245.75 to close at 23,125.33. World stock markets, Page 33

JAPAN'S Ministry of International Industry has informally urged manufacturing companies to raise their export prices in line with the yen's appreciation. Five-year plan, Page 2

UNITED Technologies, US aerospace and industrial conglomerate, reported a return to profit for the fourth quarter, with $172.5m or $1.32 a share in net income as against a $228m loss last year.

FRENCH monopolies council is to consider the recent assets split of detergents company Cotelle between Henkel of West Germany and Colgate-Palmolive of the US. Page 2

CHARLES SCHWAB, US discount broker, suffered a net loss of $14m, or 6 cents a share in the final quarter of 1987 but showed a profit of $24.4m, or 87 cents, for the year.

The world value of the dollar table, which did not appear on Friday owing to technical difficulties, is published on Page 36 today in place of the FT-Actuaries World Indices. The World Index ($ terms) closed on Friday at 114.13, up 0.7; the Europe index was up 0.3 at 89.99.

Israeli occupied territories returning to normal, says Rabin

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S occupied territories are returning to normal after nearly seven weeks of violent disturbances, Mr Yitzhak Rabin, Israel's Defence Minister, told the Israeli Cabinet yesterday.

Mr Rabin and Major General Dan Shomron, the Chief of Staff, also assured the Cabinet that batons were not being used for punishment or against rioters who had already been caught.

The assurance came against the backdrop of continuing allegations of indiscriminate beatings by the security forces in the occupied territories.

At the same time Mr Hans-Dietrich Genscher, the West German Foreign Minister and current chairman of the European Community's Council of Ministers, who arrived on a brief visit to Israel on Saturday, told leading Palestinians from the occupied West Bank and Gaza Strip that the EC strongly supported an international conference on the Middle East.

At a press conference last night in Jerusalem, Mr Genscher said he had told Israeli leaders of his concern over the deterioration of Israel's image abroad resulting from its handling of the unrest.

But there was no indication that he had been able to soften the well-known opposition of Mr Yitzhak Shamir, Israeli Prime Minister, to an international conference.

During talks with Mr Shimon Peres, Foreign Minister, the West German minister is said to have "floated some new ideas" about breathing fresh life into the peace process.

But speculation over a possible new European initiative, to break the current deadlock in the peace process, was being discounted last night.

Meanwhile, tens of thousands of Palestinian workers employed in Israel proper went back to their jobs yesterday for the first time in over a month, as lengthy curfews were lifted on most of the Gaza Strip's refugee camps. Shops reopened in Gaza City.

However, in Arab East Jerusalem – part of which was placed under curfew over the weekend for the first time since 1967 – the solid commercial strike of the past four weeks showed no sign of crumbling. Scattered disturbances took place yesterday in several Arab districts of the city.

On Saturday, some 45,000 people demonstrated in Nazareth and Tel Aviv in opposition to the government's handling of the unrest.

While the left-wing Peace Now movement held a candlelight rally in the heart of Tel Aviv, Israeli Arabs gathered in Nazareth in response to calls from local leaders and a clandestine radio station broadcasting on behalf of the Palestine Liberation Organisation.

Separately, initial Israeli caution over the latest Soviet proposal for an international conference under the aegis of the full United Nations Security Council hardened to outright rejection. "The Soviets are just trying to score points in the Arab world," one senior official from the liberal wing of the coalition government said yesterday.

Yitzhak Rabin: an assurance

Airbus partners may restructure to defuse row with US

BY LYNTON MCLAIN IN LONDON

PARTNERS in Airbus Industrie are to consider transforming the European airliner manufacturer into a public limited company, with a duty to publish financial results for the first time.

A first formal step towards the possible change takes place today in Toulouse when Airbus executives and representatives of the four partner governments – France, West Germany, Britain and Spain – meet to discuss reorganisation of the group.

The move would be intended to defuse continuing criticism from the US, which claims that hidden subsidies and tax breaks have led to the boom in sales of Airbus airliners at the expense of Boeing and McDonnell Douglas, the US manufacturers.

Critics of Airbus say it is impossible to show how the organisation is financed, or what government grants it attracts in various forms. A change in status would be designed to clarify its financial affairs.

The proposal is supported by the UK government and British Aerospace; but not by France, where Aerospatiale, is state-owned, or West Germany.

Today's talks will be the first involving four representatives appointed by the governments "to consider the organisation of Airbus and to advise if the current structure and organisation is the most appropriate," the UK Department of Trade and Industry said on Friday.

The four men are expected to report to ministers in about three months. Their report will not be published.

Negotiations to resolve differences with the US have been taking place – with no sign of progress – since October at ministerial and official level.

They have involved Mr Willy de Clercq, the EC Trade Commissioner, Mr Clayton Yeutter, the US Trade Representative, as well as ministers from the four trade departments involved.

The talks between the US and the four governments of the Airbus partners are continuing and ministers of the Airbus countries met informally in Lyon again last week.

The idea of restructuring Airbus Industrie has emerged as one response to the row over US allegations of unfair subsidies for the European manufacturer.

The Americans charge that Airbus is winning sales, including more than 200 aircraft for US airlines, and market shares because of subsidies that cannot be identified.

European governments and Airbus Industrie, in response, point to the defence work, supported by the US government, which provides much of the turnover of Boeing and McDonnell Douglas.

Airbus Industrie, as an economic grouping and not a company, does not file financial results. Moreover, detailed financial affairs of the Airbus part of their business are not published by the four partners, Deutsche Airbus of West Germany and Aerospatiale, each with a 37.9 per cent share, British Aerospace with 20 per cent and Casa of Spain with 4.2 per cent share.

Airbus is trying to ease relations with the US and increase sales and cut costs, through its talks with US aerospace groups, Lockheed and McDonnell about joint development of airliners.

Paul Betts in Paris writes: Mr Henri Martre, chairman of Aerospatiale, said in an interview that an alliance between Airbus and McDonnell Douglas was "natural" and "in the logic of things."

This alliance was all the more natural considering that Airbus and McDonnell Douglas shared between them about 35 per cent of the world civil aircraft market, while Boeing dominated

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Britoil in search for new 'white knight'

By Nikki Tait in London

BRITOIL, the UK's largest independent oil explorer, is this week expected to continue its battle against a revised £2.5bn ($4.49bn) takeover bid from British Petroleum, with an urgent search for a new "white knight."

Britoil's likely opposition comes in the face of an agreement by BP to purchase a key 24 per cent holding in Britoil built up by US oil group Atlantic Richfield, and an increase in BP's cash terms from 450p to 500p – both announced on Friday.

BP itself holds 29.9 per cent of its target's shares, so the Arco stake would give it a controlling 54 per cent of Britoil's shares.

The formal decision by Britoil on whether or not to recommend the revised bid will be taken at a board meeting this morning – already planned ahead of Friday's events. Yesterday, however, Britoil appeared firmly opposed to the new terms.

"There most certainly isn't enough value in their offer," commented Mr David Walker, Britoil's chief executive. "We have published our estimate of assets and it is substantially above what BP is offering."

Britoil's chances of escaping the UK oil giant's clutches will depend on its ability to produce a "white knight" whose terms are sufficient to win back the Arco stake.

Yesterday, Mr Walker said that he had made approaches to a number of possible suitors last week

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The big league, Page 15; Lex, Page 16

EC welcomes German farm compromise

BY TIM DICKSON AND WILLIAM DAWKINS IN BRUSSELS

BRITAIN and the Netherlands, proponents of tough Common Agricultural Policy reform, appeared increasingly isolated in Brussels last night as European Community Farm Ministers ended their latest struggle to find ways of curbing agricultural expenditure.

The agriculture talks came ahead of today's EC foreign ministers' meeting also in Brussels, the first ministerial attempt to grapple with the EC's budget crisis since last month's Copenhagen summit ended in deadlock.

The key development in the weekend agriculture talks was the European Commission's surprisingly positive reaction to a compromise paper prepared by Mr Ignaz Kiechle, West Germany's Farm Minister and currently President of the EC's Agriculture Council.

Mr Kiechle's new approach, which he claimed last night attracted broad support from other member states, would significantly weaken the impact of budget stabilisers, the system of automatic price penalties for over-production which lies at the heart of the Community's wider package of long-term financial reforms.

In particular, it would raise the output threshold above which these penalties would be imposed on cereal farmers from 155m tonnes, as originally proposed, to 160m tonnes, and it would shift the emphasis from simple price cuts to increases in the so-called co-responsibility levy (a tax on production designed to finance the cost of stock disposal).

Mr Kiechle is expected to report the meeting's outcome to the EC foreign ministers, who will hold their first discussion this year on the wider budgetary reforms, including increased resources for the Community budget, more regional and social spending and a new way of calculating Britain's budget rebate.

Mr Kiechle's tactics – notably an attempt to remove discussion of several stabiliser proposals from the agenda of next month's emergency summit of EC heads of government in Brussels – clearly angered Mr John MacGregor, Britain's Agriculture Minister, who commented last night: "We didn't want to fudge at the Copenhagen summit last month, and we don't want to fudge now. Proper budgetary discipline is important for the taxpayer and important for the farmer."

Mr MacGregor claimed there was strong opposition to Mr Kiechle's attempt to sideline discussion of milk, wine, fruit and vegetables and other products, but his stand against West Germany's efforts to weaken the proposed measures for the cereals sector seemed to have less support than before.

For example, the European Commission, hitherto a stout defender of its original package, appeared to be much readier to compromise with the West German approach after a special weekend meeting of the 17 Commissioners.

The Commission spokesman said that Mr Frans Andriessen, the EC's Agricultural Commissioner, would settle for a production threshold of 158m tonnes and that he wanted to send "firm price signals" to farmers this year, which the Commission said are not contained in Mr Kiechle's paper.

Discussion on the Commission's set-aside plan – now a key element of the reforms and intended to encourage arable farmers to take part of their land out of production in return for compensation payments – ended with a broad consensus.

Argentine team faces tough talks with IMF

BY ROBERT GRAHAM IN BUENOS AIRES

ARGENTINA'S serious economic problems, temporarily eclipsed by last week's abortive military rebellion, have returned to the limelight.

Tough negotiations are due to begin this week in Washington between an Argentine delegation headed by Mr Jose Luis Machinea, governor of the central bank, and officials of the International Monetary Fund on the country's need for at least $2bn in fresh funds to cover 1988.

Unless a formula can be found to provide this, Argentina will be unable to pay the $4.5bn due this year to service its $54bn foreign debt. Ten days ago Argentina was obliged to make a temporary arrangement with the World Bank, which advanced funds earmarked for structural adjustments in the economy to keep payments current to the IMF and the commercial banks.

Felipe Gonzalez

The arrangement was the result of a hurried visit by Mr Machinea and Mr Juan Sourrouille, the Finance Minister, to Washington, and lasts only until February.

The sole source of immediate comfort to the government of President Raul Alfonsin is the promise of an investment and finance treaty with Spain. This was offered by Mr Felipe Gonzales, the Spanish Prime Minister, in the wake of the military uprising as a gesture of solidarity. Spain is promising up to $3bn in credits, aid and debt relief over the next four years.

The deal is similar to one agreed last December between Argentina and Italy for $5bn, and is expected to be initialled this week when President Alfonsin visits Spain.

The Argentine Government has been pressing its friends abroad on the need for practical economic support to consolidate democracy. But the IMF is still seeking to impose strict technical criteria.

The IMF is worried about the Argentine Government's frequent failure to meet targets. The budget deficit last year, instead of being brought down to below 4 per cent of GDP, rose to more than 7 per cent. The Treasury, instead of curbing advances to the public sector, let them rise by 14 per cent.

The IMF is arguing that fiscal pressure must be increased, utility tariffs raised, public spending cut and the gap between the official and parallel exchange rates narrowed. Currently there is a 40 per cent difference between the official and parallel rates for the austral against the dollar.

The Government has countered by arguing that international prices of grains and foodstuffs fell last year, halving the trade surplus.

More fundamentally, ministers maintain that the heavy burden of debt service, coupled with the difficult political situation of the Government, has forced stop-go economic policies. Mr Rodolfo Terragno, the Public Works Minister, told the IMF bluntly that foreign debt was suffocating the economy. Growth last year was under 2 per cent and the trend is likely to be recessional at least for the first half of 1988.

Politically, it is going to be difficult for the Government to sell another tough IMF package after more than three years of such adjustments.

However, the IMF will need some convincing. It is still withholding disbursement of a $225m tranche, and some $500m due from the commercial banks as part of last year's $1.9bn loan package has not been disbursed.

● Shell, the Anglo-Dutch oil and petrochemical group, is setting up a $110m joint venture in Argentina with Industrias Petroquimicas Argentinas for the manufacture of polypropylene, writes Steven Butler.

The project is to build a plant, planned to open in 1990, with an annual capacity of 100,000 tonnes a year in Ensenada, in the province of Buenos Aires.

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OVERSEAS NEWS

Reagan to push Contra aid in Union address

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan is expected to try to rally support for his foreign policy priorities in his final State of the Union address to Congress tonight, as he searches for ways to continue to play an influential role in the political life of the country in his last year in office.

Mr Reagan, who will this week ask Congress for new funds to back the Contra rebels in Nicaragua, is expected to use the State of the Union address to try to put pressure on reluctant Democrats to support a scaled-back Contra aid package.

He is also expected to express his determination to press ahead with the arms control negotiations with Moscow which have won wide public support and helped revive his prestige - at the end of a year of political reverses ranging from the Iran/Contra scandal to the failure to win the appointment of the conservative Judge Robert Bork to the Supreme Court.

Reagan: looking for backing on foreign policy

In a weekend radio address, Mr Reagan described the first fruits of his arms control efforts, the Intermediate Nuclear Forces Treaty signed last month in Washington, as "solid". It now faces three or more months' scrutiny in the US Senate which has the constitutional right to approve or disapprove.

The hearings which Senate committees will hold to examine the terms and longer-range implications of an INF accord, which calls for the elimination of medium-range nuclear missiles from the world's arsenal of nuclear weapons, will open today. Medium-range missiles are only a small proportion of the superpowers' nuclear armoury.

The US Secretary of State, Mr George Shultz, is expected to be lead-off witness for the Reagan Administration before the Senate Foreign Relations Committee. The Senate Armed Services Committee, headed by Senator Sam Nunn of Georgia, will also hold parallel hearings with Mr Frank Carlucci, the Defence Secretary, as lead-off witness.

Senator Nunn has said he will use the hearings to examine the treaty-making process and the conventional military as well as the strategic implications of the INF treaty. A group of conservative Senators numbering, according to some estimates, 15 to 20, either opposes the accord or important elements of it.

Some are expected to propose amendments or reservations to the treaty aimed either at killing it or slowing the pace of arms control negotiations at a time when the Administration is pressing ahead with its ambitious goal of achieving an agreement for 50 per cent cuts in long-range strategic missiles.

In spite of conservative opposition, Senate leaders are estimating they can command the two-thirds majority needed to approve the treaty. Whether or not it will emerge without amendment, remains unclear.

The New York Times reported yesterday that in a legislative message accompanying the State of the Union address, Mr Reagan will ask Congress, among other matters, to reduce the rate of capital gains tax, expand the funding for Federal prisons, and approve a more aggressive programme for the sale of public housing.

Young gives US fresh warning over trade

BY PETER MONTAGNON, WORLD TRADE EDITOR

A FRESH warning to the US against taking a bilateral approach to world trade policy has come from Lord Young, UK Secretary of State for Trade and Industry.

In a speech to the US Chamber of Commerce in Washington, Lord Young criticised both the US agreement with South Korea on protection against patent infringement, which had not been matched for European companies, and the bilateral deal between the US and Japan on semiconductor trade.

The text of his speech did not mention the current talks between Japan and the US on allowing US companies to bid for construction contracts for Japan's new Kansai airport, but dovetails with concern already expressed by Sir Geoffrey Howe, Britain's Foreign Secretary, that this could lead to an exclusive US/Japanese arrangement.

"I hope that the US will not be further tempted by bilateral deals, but rather look to resolve disputes in ways consistent with the General Agreement on Tariffs and Trade," Lord Young said.

The South Korean patent and semiconductor agreements were examples of "bilateral deals which affect third countries in ways which are not easily predictable, and can lead to the restriction of trade".

Lord Young urged the US to stick to the multilateral principles embodied in Gatt.

Kohl doubt on N-power

WEST German Chancellor Helmut Kohl said yesterday he had huge doubts about the overall safety of West Germany's nuclear power industry, in the light of recent scandals and allegations, Reuter reports from Bonn.

He said on radio he was not a blind supporter of nuclear energy: "For a certain period, which will last into the first decade of the next century, nuclear energy is necessary.

"We have an obligation to work from the principle that the health and safety of citizens is paramount - more important than such considerations as economic ones. The problem is whether the whole safety system is sufficient. I have massive doubts."

French inquiry into deal on detergents

By Paul Betts in Paris

THE FRENCH conservative government has referred to the new French monopolies council the recent asset split between Henkel, the West German speciality chemicals and detergent group, and Colgate-Palmolive, the US household products group, of Cotelle, the French washing and detergents company.

It is the second time in barely three months that the Conseil de la Concurrence set up a year ago by Mr Edouard Balladur, the French Finance Minister, has been asked by the Government to look into a possible breach into French regulations.

The latest action follows the acquisition of Cotelle by Henkel last summer for FFr2.05bn from the Lesieur edible oils and food group, itself now controlled by Saint-Louis. But Henkel last September sold back to Colgate-Palmolive, which had also made a bid for Cotelle, part of the French detergents company's assets for FFr910m.

However, Henkel and Colgate-Palmolive decided to keep the Cotelle operations grouped together in a company owned by the West German and US groups.

The French Government is worried that this agreement could constitute a breach of French monopolies regulations since, with the Cotelle products, Henkel and Colgate-Palmolive control between 35 per cent and 70 per cent of the French market in various specific domestic household products.

The West German and US groups have denied any irregularity in their agreement claiming that the transaction between them would introduce greater rather than less competition in the French market.

Fall forecast in Bonn current account surplus

By Haig Simonian in Frankfurt

West Germany's current account surplus is likely to fall by around DM10bn this year, according to the Government's annual economic report which is to be discussed by the economic committee of the cabinet in Bonn today.

In the first 11 months of 1987 the surplus was DM70.5bn.

However, the Government remains committed to its target of between 1.5 per cent and 2 per cent growth this year, according to the report, despite the forecast of a slight increase in unemployment from 8.9 to around 9 per cent in 1988.

Internal demand will provide the main stimulus for growth this year, says the report.

While investment is likely to be maintained and prices are unlikely to rise by more than 1 per cent, it recognises there will be some difficulties in keeping up the pace of exports.

The report apparently contains no indications that the Government is planning any special expansionary measures to boost the economy if necessary.

Spain's ruling party congress closes with unity appeal to disaffected union leader

Gonzalez rebuts critics on economic policy

MR FELIPE Gonzalez, Spain's socialist Prime Minister yesterday closed his ruling party's 31st congress on an optimistic note, citing gains made its during five years in office while rebutting critics who see a drift to the right, AP reports from Madrid.

"Sometimes we don't know how to put the past into its proper perspective," Mr Gonzalez said, referring to criticism from the left of the Spanish Socialist Workers Party (PSOE) that the party had drifted into social democracy. "Sticking to a frozen image of the past can be a mistake as we prepare our project for the future," he told the congress.

In an attempt to restore unity in the Socialist camp, Mr Gonzalez appealed to Mr Nicolas Redondo, head of the country's largest union, the Socialist General Workers Union (UGT), to return to the fold, saying there was a seat open for him on the executive committee.

Mr Redondo, a one-time rival of Mr Gonzalez for party leadership, resigned his seat in parliament last year in disagreement over the government's economic policies.

Mr Gonzalez, who has called for a social agreement on wage and price rises between the government, trade unions and private enterprise, told delegates he was not trying to impose his government's economic policy on anyone in the party.

The policy, which succeeded in reducing inflation to 4.6 per cent last year but cannot seem to come to grips with 21 per cent unemployment, has been criticised as too monetarist and conservative.

When the Socialists took office in December 1982, inflation stood at 14 per cent and unemployment at 16.5 per cent.

Among the principal gains made by the party, Mr Gonzalez cited increases in social security, medical and pension payments as well as an opening up of the country's educational system to more youths.

Ms Carmen Romero, Mr Gonzalez's wife, received credit in the Spanish press yesterday for her role in swinging a committee vote in favour of setting a minimum 25-per cent quota for participation of women in all party executive bodies and on electoral lists.

Of the 861 delegates elected by regional committees to attend the Spanish socialist congress, only 57 were women.

The decision has transformed the party's 23-member national executive committee, whose new line-up includes six women.

Three sat on the previous committee.

Ms Matilda Fernandez, a party executive, put participation of women in important roles in other European socialist parties at 40 per cent in Norway and Sweden, 25 per cent in West Germany, the Netherlands and Austria and 20 per cent in France and Italy.

During the three-day congress, the party's foreign policy committee:

- reiterated its support for the withdrawal of Soviet troops from Afghanistan.
- called for the Palestine Liberation Organisation to be included among participants in an international conference on peace in the Middle East.
- urged full normalisation of relations between Spain and Britain to "overcome the anachronism of Gibraltar" by requiring that the British colony at Spain's southern tip be returned to Spanish sovereignty.
- supported greater aid to developing countries, particularly in Latin America and to democratic opposition movements in Haiti and Paraguay.

SEVERAL thousand demonstrators marched through central Madrid yesterday to protest against Israeli policy of controlling Palestinians living in the occupied West Bank and Gaza territories, police said, AP reports from Madrid.

Police put the number of marchers at 5,000 and said no incidents were reported.

Sponsors of the march included the two largest Spanish trade unions, the Socialist General Workers Union (UGT) and the Communist-dominated Workers Commissions (CC OO), as well as Communist and Socialist youth groups, the Communist coalition United Left and the Spanish-Arab Friendship Association.

Similar protests have taken place in several other Spanish cities, including one on January 20 in the Barcelona. There were no incidents in any of the other marches, police said.

Japan five-year plan proposed

BY IAN RODGER IN TOKYO

JAPAN will have to maintain a high level of domestic economic growth over the next five years if it is to reduce its dependence on exports and meet its growing responsibilities to the world, according to the Economic Council, a high-level advisory body to the Japanese prime minister.

The council's proposed five-year plan, submitted at the weekend, set three other general policy targets for the country - improvement in the quality of life, balanced use of national land and increased contributions to the international community, including greater defence spending.

The thrust of the report is thus in line with other assessments of Japan's position and problems in the last couple of years, but it is of interest partly because it revives the notion of five-year plans in Japan. The practice of making and following five-year economic plans fell into disuse in Japan under the previous prime minister, Mr Yasuhiro Nakasone, who did not find them congenial with his forceful style of leadership.

Mr Noboru Takeshita, current Prime Minister, prefers a more orderly building of consensus for decision, and will use the five-year plan, effective from the fiscal year that will start in April, to set a long-term agenda.

The council's proposed five-year plan, which set out principles rather than details, will be discussed over the next three months. A final, detailed report will be submitted to the prime minister in May and he will take it to the Economic Summit in Toronto in June to underscore Japan's commitment to restructure its economy.

Various recommendations in the report are still far from being generally accepted in Japan, such as the increase in defence spending, liberalisation of the agricultural and distributive sectors, and the dispersal of economic activity away from Tokyo.

Perhaps the most difficult point will be to gain agreement within the Government that its spending may have to remain at a relatively high level if domestic demand growth is to be buoyant throughout the period.

Tokyo urges companies to raise export prices

BY OUR TOKYO CORRESPONDENT

TOKYO'S Ministry of International Trade and Industry has informally urged export-oriented manufacturing companies to raise their export prices in line with the yen's appreciation.

The move is believed to come mainly in response to complaints by US government and business leaders, increasingly frustrated with the lack of improvement in the country's trade balance.

Last Tuesday, Mr Robert Miller, vice-chairman of Chrysler, said the yen had risen 87 per cent against the dollar in the past two-and-a-half years, but US prices of Japanese cars had gone up only 25 per cent. Chrysler could file a formal complaint with the US Government.

European Commission officials too are angry about the EC's continuing high trade deficit with Japan and claim Japanese companies have been diverting their export thrust from the US to the more profitable European markets.

Japanese companies claim they have been able to offset a large portion of the decline in the profit on their US exports because of reductions in the costs of imported raw materials and components, thanks to the higher yen. However, they acknowledge they have also accepted lower margins on US exports.

Deaths follow political clashes in Bangladesh

BY SYED KAMALUDDIN IN DHAKA

AT LEAST 10 people were killed and more than 200 injured, some seriously, when opposition supporters clashed with police yesterday at the Bangladeshi port city of Chittagong, about 150 miles south-east of the capital Dhaka, as part of the growing campaign to oust President Ershad.

Police said the league had not obtained permission, required under the state of emergency, to hold a public rally.

Mrs Sheikh Hasina, president of the Awami League, had been due to address the public rally in the city's Laldighi Park. She described the police action as "organised atrocities" by Mr Ershad's government, which was intent on curbing the opposition's anti-administration movement.

She has called a dawn-to-noon general strike for Chittagong today and a dawn-to-dusk general strike throughout the country tomorrow to protest against the police action.

Mrs Hasina arrived at Chittagong yesterday morning from Dhaka and addressed various street-corner meetings to campaign against participation in the March 3 parliamentary poll.

All the mainstream opposition parties are now boycotting the election, leaving the president's Jatiya Party as the only big participant.

Reuter reports from New Delhi: Sikh separatists wounded a senior politician, and a suspected extremist bit a cyanide capsule and died after his arrest, in the northern Indian state of Punjab, official-run radio and agency reports said yesterday.

Zanzibar ruler suspends cabinet to block 'plot'

BY PHILIP SMITH IN DAR ES SALAAM

MR IDRIS ABDUL WAKIL, President of Zanzibar, has suspended his cabinet and taken direct control of the army, plunging the Indian Ocean island into political turmoil. This followed accusations he made 12 days ago that unnamed ministers in his semi-autonomous government were plotting against him.

He suspended the 18-man cabinet and the revolutionary council on Saturday, "until certain changes" were made, and yesterday took control of the Special Zanzibar Revolutionary Forces from his main opponent, Seif Shariff Hamad, the chief minister who originates from the northern island of Pemba.

A western diplomat said there could be unrest in Pemba if Mr Hamad were not reappointed to the cabinet.

Zanzibar and Pemba joined mainland Tanganyika in the republic of Tanzania after Zanzibar's 1964 revolution, but the pair of islands retains a large measure of autonomy.

On January 12, the anniversary of the revolution, the president told surprised guests at a modest party that a group of dissidents planned to hire mercenaries and overthrow his government. He did not elaborate.

The accusations, which implicated several cabinet ministers, marked the culmination of a power struggle in the Zanzibari government.

The Pembans, who produce 90 per cent of the cloves that are the mainstay of the islands' economy, grumble over the economic imbalance between the two islands, and allege that they enjoy fewer, and inferior, facilities and social amenities.

HK defence pact talks resume

By David Dodwell in Hong Kong

HONG KONG officials will continue to meet staff of Britain's Defence Ministry in the colony today, in a bid to find a late settlement to a dispute over paying for the UK's 8,000-strong garrison in the territory.

The current seven-year agreement, under which Hong Kong pays 75 per cent of the bill for the garrison, is to expire in March. Three rounds of meetings held last year to apportion costs resulted in deadlock and public acrimony.

Political figures in Hong Kong have grown indignant at the ministry's refusal to itemise costs. This is partly because it charges to the garrison various national costs linked to Britain's overall military spending.

The latest talks began on Friday. Last night there was no sign of a breakthrough. This round should have been held about Christmas, but was pushed back because there had been no substantial changes in either government's position.

Regular rumours that British negotiators would be willing to increase the UK contribution from 25 per cent to 40 per cent have been dismissed by both parties. Hong Kong officials have indicated informally that they would be pleased by such an offer, but that none has been forthcoming.

In 1987, the cost of the defence agreement to the Hong Kong government was about HK$1.7bn (£116m). The administration has argued that its share should be reduced, partly because the size of the garrison is likely to be cut before 1997.

Soviet submarine changed to cruise arms

BY DESMOND WETTERN

A SOVIET nuclear missile submarine, withdrawn from service in accordance with the Strategic Arms Limitation Treaty, has reappeared armed with 100-kiloton cruise missiles for land attack, in place of its ballistic missiles. The cruise missiles in the boat, estimated at 20 to 40 in number, have an 1,100-mile range, compared with the 1,600 miles of the ballistic ones.

Cruise missiles were not restricted under the treaty and, being submarine-launched in this case, are not covered by the US-Soviet agreement of last month on eliminating land-based cruise weapons.

The appearance of the submarine, evidently operational rather than evaluatory, so soon after the Washington agreement, is being viewed in Nato with some cynicism in the light of the criticism Soviet diplomats in the West are making of Mrs Margaret Thatcher's proposals for an Anglo-French air-launched cruise missile as "degrading the spirit of the Washington agreement."

The submarine's conversion for a nuclear land-attack role is in sharp contrast to the fate of the nine US submarines which carried nuclear ballistic missiles and have been paid off under the terms of Salt. Six have been scrapped or stripped of their equipment and laid up, one has its missile tubes blocked and serves as a training boat, and two more have been equipped to carry special forces troops.

The Soviet submarine, in what Nato calls the Yankee class, was recently photographed in the Norwegian Sea on its way to the Atlantic by a Norwegian Air Force patrol aircraft. It has been lengthened by about 30 feet to accommodate the large number of SS-N-21 cruise missiles.

Four years ago, another Yankee submarine was converted to carry the SS-N-24 supersonic land attack missile, which has a longer range, but this weapon is still under development. Putting it into service is proving very costly, according to Soviet sources.

The SS-N-21 missile, though, is believed to have been fully operational since 1986 and is already in some of the USSR's nuclear-powered, hunter-killer submarines. To take the missile, these have to sacrifice some of the weapons for their prime wartime task of attacking Western strategic-missile submarines and trans-Atlantic reinforcement convoys.

Egypt's leader is setting off on tour with influence enhanced, writes Tony Walker

Cairo's new role lends weight to Mubarak

PRESIDENT Hosni Mubarak of Egypt arrives in London today at the beginning of an extensive tour of Europe and the US with his own standing as a regional leader of consequence enhanced by recent Middle East developments.

Mr Mubarak this month completed a successful mission to Gulf states during which he reassured hereditary rulers of Egypt's support in the face of Iranian threats.

His Gulf tour confirmed Egypt's return to the Arab mainstream following an Arab League summit in Amman late last year which cleared the way for regional states to re-establish formal ties with Cairo.

The Egyptian leader goes to Washington later this week less of a supplicant from an impoverished country than was the case on his last visit there in 1985, although Egypt's financial position remains precarious.

Egypt's pivotal role as leader of a reconstituted moderate Arab bloc will give weight to Mr Mubarak's representations in the US and in European capitals.

But while talk of peace initiatives is likely to attract most public attention, Mr Mubarak's discussions in the West on the need for continuing economic assistance will probably be more important from Egypt's standpoint.

The Egyptian president embarks on his tour of Western capitals, including visits to Bonn, Paris and Rome, with his country's economy continuing to be balanced on a knife-edge. Egypt is experiencing hard currency shortages, a worrying resurgence of inflation and budgetary pressures.

Mr Mubarak is certain to press for a more flexible approach by Western creditors to Egypt's predicament which was eased momentarily, but not solved, by an International Monetary Fund programme and Paris Club re-scheduling of part of its foreign debt of more than $40bn (£22bn).

Egypt is enmeshed in difficult discussions with the IMF on implementing a reform programme agreed last May. The Egyptians have been slow in providing up-to-date data on their efforts to meet certain performance targets such as reductions in the buget deficit. This has held up the disbursement of additional IMF standby funds.

The release of World Bank loans in the energy and agriculture sectors under a tacit "cross-conditionality" understanding between the two international institutions has also been delayed.

The bank has been seeking a more decisive approach by the Egyptian Government to raising energy prices to world parity over a five-year period, to encourage more efficient use of existing limited resources.

On the eve of his departure, Mr Mubarak signalled he was prepared to argue forcefully that even the relatively mild IMF medicine - last May's reform programme was one of the softest ever concluded by the fund - was proving too much for Egypt to stomach.

"Look, I can't do more than I'm doing here in this country," he told an American newspaper. "The IMF can ask for more measures but I know my people...I'm not going to respond to much tougher measures that the people will never accept."

A looming critical question for Egypt is whether its stuttering economic reforms will satisfy IMF conditions for an extension of its assistance programme. Without such an extension, Egypt will not be able to return to the Paris Club to seek another round of rescheduling of foreign debt falling due after mid-1988.

An IMF technical team visited Cairo this month to advise on the likely budgetary impact if Egypt unifies its various rates of exchange, including moving its so-called "commercial rate" of 0.70 piastres (100 piastres equals one Egyptian pound) to the dollar, used to calculate the cost of strategic imports such as wheat, to an official "market" rate now standing at about E£2.20 to the dollar.

Another IMF team is due in Egypt any day for annual Article IV consultations and to pronounce on progress made towards implementing the reform programme. A senior Fund official said Egypt had met some of the requirements and had performed creditably in the circumstances.

The IMF is pleased with progress towards unifying the various rates of exchange, but concern continues over the budget deficit.

Egypt had pledged this financial year to reduce its deficit to 13 per cent of GDP; however, inflationary pressures, reduced customs revenues due to a sharp drop in imports and other factors make it most unlikely this target will be achieved.

Easily the most worrying problem facing the Government is the sharp rise in the cost of living. Latest official figures, which showed that prices rose 10.5 per cent in the the first nine months of 1987, almost certainly understate the problem.

Most Western economists and bankers believe, however, that price rises exceed 20 per cent and may be closer to 30.

Another worry for the authorities is the squeeze -despite a tourist boom and some improvement in oil revenues since the disastrous slump of 1986 - on the availability of hard currency.

This has encouraged the revival of a parallel market. There is now thought to be about 6 per cent difference between official and unofficial rates. If the gap were to widen, the Government's exchange rate reforms might be jeopardised.

Mubarak: economy on knife-edge

Egypt's economy is also showing signs of stagnation.

A recent US Embassy study reported that the Egyptian economy had become flat during the past two years. Quoting "recent estimates", it said real GDP fell by 1.5-2 per cent in 1986/87 after having increased by an average of only about 3 per cent in each of the two previous years.

"This is a risky trend," the report stated, "in a country that is experiencing population growth in the range of 2.7-3 per cent a year and whose per capita income is in the range of $400-$500."

PRESIDENT Hosni Mubarak's proposal for a six months "cooling-off" period in the West Bank and Gaza is an opening gambit for his discussions this week in Western capitals, Tony Walker reports from Cairo.

Mr Mubarak's four-point initiative, announced on the eve of his departure for Europe and the US, enables him to appear both constructive and reasonable.

The initiative includes a requirement that Israel cease all settlement activities in the occupied territories, respects the political rights of people under occupation, agrees to international guarantees for their protection, and co-operates in the convening of an international Middle East peace conference.

Egyptians urged to cut down on electricity use

BY TONY WALKER IN CAIRO

EGYPT IS urging people to cut down on electricity use because of concern about a shortfall in electric power from the Aswan High Dam, due to a drop in the waters of the Nile.

Mr Maher Abaza, Minister of Electricity, warned at the weekend that Egypt was likely to experience power shortages this year. Consumers should curb the use of appliances during peak periods such as the evenings, he said.

Cairo appears to be facing up to the dangers posed by continuing drought in the main Ethiopian catchment of the Blue Nile, source of about 84 per cent of waters flowing into the High Dam.

The High Dam turbines generate about 20 per cent of Egypt's electric power when they are operating normally. The reduced flow of Nile waters has forced a 10-20 per cent reduction in power generated at Aswan.

In Khartoum last week, Irrigation Ministers of four Nile basin countries - Egypt, Sudan, Uganda and Zaire - agreed to study conservation measures to deal with an alarming reduction in the flow of the Nile.

Mr Essam Radi, Egypt's Irrigation Minister, was quoted as saying that villagers along the Nile valley may experience power shortages this year, but Cairo and other major industrial centres would be unaffected.

A sign of problems caused by the reduced flow of Nile waters is the difficulty cruise boats are having navigating a section of the river near Esna between Luxor and Aswan in Upper Egypt.

Irrigation ministers meeting in Khartoum, the Sudanese capital, agreed after three days of talks to revive a survey of equatorial lakes fed by the Nile and to co-operate in the exploitation of Lake Mobutu (previously Lake Albert) on the borders of Zaire and Rwanda to make better use of the waters of the White Nile.

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Goria to seek two votes of confidence today

BY JOHN WYLES IN ROME

THE ITALIAN Government led by Mr Giovanni Goria will demand two Parliamentary votes of confidence today after suffering further tormenting defeats over its delayed and accident-prone 1988 budget proposal.

In the midst of this struggle to secure the passage of the Finance Bill in something approaching its original reform, Mr Giuliano Amato, Treasury Minister, revealed that the government's 1988 budget deficit was worse than all expectations.

Targeted a year ago at L100,000bn (£45bn) and then at L109,500bn after emergency revenue-raising measures in the autumn, the deficit has turned out at L113,700. This is the second highest in history.

Mr Amato's disclosure came after the government suffered two Parliamentary defeats on Friday, again under the system of secret voting. Between 40 and 50 Christian Democrats had already bloodied the government's nose earlier this month to reveal the uncertain support for the shaky Goria coalition within the prime minister's own party.

The most serious aspect of Friday's defeat is that it threatens to add L3,000bn to government spending on pensions over the next three years. Promoted by the Communist Party, the successful proposal aims at providing a minimum payment of around L540,000 a month for all above the age of 60 with no other source of income.

After the cabinet was unable to agree on revenue measures to cover the increased spending, ministers decided to table an amendment today as a matter of confidence to the budget'e propoeal to spend L4,000bn on raising basic pensions over the next three years. The ameudment will add L500bn to this outlay which will also have to finance the new pension adopted by parliament.

"Once again expenditure is being proposed, albeit with good reasons, without worrying about where the money will come from. This may win a few votes, but it is wrecking the country," said Mr Goria.

Today's resort to votes of confidence - the second will seek to block amendments adding a further L7,500bn to government spending - brought threats from outraged Communist leaders that they wonid refuse all co-operation with moves to bring in widely-supported political reforms, including strict limits on secret votes.

This makes the introduction of any such reforms less likely in the short term and certainly a distant prospect during the limited life which seems available to the Goria government.

The coalition is now desperately short of the authority needed to rally its theoretical parliamentary majority behind any major economic or political initiatives.

● Confindustria, the representative body for Italian business and industry, called for major new measures to help finance the small and medium-sized company sector when it produced an economic forecast at the weekend of a 1.7 per cent growth rate for 1988, compared to last year's 2.5 per cent.

SHIPPING REPORT

Demand declines for biggest oil carriers

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

DEMAND for large tankers trading from the Gulf declined markedly last week, but business in most other production areas remained reasonably steady.

The weakness of demand for very large and ultra-large crude carriers had grown during the previous week, but brokers were surprised at the depths to which rates fell.

The low point was probably the fixing of the 272,000-ton deadweight Saudi Glory, re-let by a US oil major, for a 265,000-ton cargo from the Red Sea to Brazil at Worldscale 23.5.

Galbraith's said the voyage was unusual in that it did not include a war zone and the associated insurance costs. The owners were also said to have scheduled the vessel to load a cargo in West Africa after discharge in Brazil.

This combination of factors made the business attractive at rates which few other owners were willing to consider, and few other fixtures were reported.

Rates fell less dramatically in the Mediterranean, where good quality ships of about 80,000 tons deadweight commanded about Worldscale 80 for UK/Continent delivery, and Worldscale 85 for cross-Mediterranean voyages.

In the North Sea, rates were lifted by a scarcity of vessels, and cargoes of 80,000 tons of no-heat crude were commanding up to Worldscale 96 for January loading.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1980=100)

	Nov.'87	Oct.'87	Sept.'87	Nov.'86	% change over previous year
W. Germany	121.1	121.1	120.9	119.9	+1.0
France	168.7	168.5	168.1	163.5	+3.1
Italy	215.5	214.8	212.9	204.4	+5.4
Netherlands	123.5	123.6	123.9	123.5	+0.1
Belgium	144.7	145.1	145.3	142.6	+1.4
United Kingdom	154.7	153.9	153.3	148.5	+4.1
USA	140.6	139.6	139.8	134.6	+4.4
Japan	115.7	116.2	116.2	114.8	+0.7

Source: (except US) Eurostat

Race for Elysee gets into high gear

By Paul Betts in Paris

THE French presidential election contest got into high gear at the weekend with the main parties of the present right-wing parliamentary majority launching their respective campaigns for the spring poll.

But despite all the efforts of the right to muster the momentum, the campaign remains dominated by the elliptical stance of President Francois Mitterrand.

His refusal to confirm whether he will run for a second term as the Socialist candidate is now causing increasing frustration to rivals on the right - Mr Jacques Chirac, the Prime Minister, and Mr Raymond Barre, the former Prime Minister under President Giscard d'Estaing.

Mr Chirac yesterday won the overwhelming support of the neo-Gaullist RPR party when he gained 99.97 per cent of the votes of 4,000 party delegates at a special RPR congress to back his nomination as the party's presidential candidate.

A procession of government ministers and party leaders spoke in favour of Mr Chirac yesterday. The speakers at the special congress, which has now launched the formidable RPR electoral machine with the slogan "Allez France, Allez Chirac", also concentrated their attacks against President Mitterrand rather than Mr Barre, the Prime Minister's rival on the right.

Mr Barre is now expected to announce officially his candidature on February 8. But on Saturday he won the official support of the Republican Party although Mr Francois Leotard, the Republican Party leader, did not hide his ambitions to run as a future presidential candidate.

With the backing of the Republicans, Mr Barre now has the overwhelming support of the centrist UDF coalition in his bid for the Elysee.

However, Mr Barre has seen in recent days his strong position in the opinion polls erroded by Mr Chirac.

The RPR Prime Minister has staged a strong rally in the opinion polls narrowing the gap between himself and his rival on the right. None the less, like Mr Chirac, Mr Barre has concentrated his attacks in recent days against Mr Mitterrand and the Socialists rather than against his right-wing competitor.

This is because President Mitterrand is still comfortably in the lead in the latest opinion polls.

Moreover, Mr Mitterrand'e tactics have also helped to undermine the right's efforts to seize the early initiative in the campaign by concentrating attention on the President's ultimate intentions.

But although the dominant question continues to centre on whether Mr Mitterrand will or will not run, there have been increasingly strong hints in recent days to suggest he will.

The biggest hint is a new poster campaign on the theme of "The Mitterrand Generation" which made its appearance in the country last week.

FT CORRESPONDENTS ASSESS PROSPECTS FOR A EUROPEAN CENTRAL BANK

Balladur spares the fine print

BY GEORGE GRAHAM IN PARIS

THE well-rounded figure of Mr Edouard Balladur has little of the Oliver Twist about it.

The urbane French Finance Minister, however, is again asking for more from his European Community colleagues, only a few months after winning substantial concessions at a meeting at Nyborg in Denmark on the operational rules of the European Monetary System.

This time, Mr Balladur's goal is more ambitious: to set off a process leading to the creation of a European central bank.

Some French officials will admit that there is an element of domestic politics involved in the timing of Mr Balladur's proposals, three months before the first round of the presidential election in which his Prime Minister, Mr Jacques Chirac, is candidate. Mr Balladur has just become chairman of the Chirac support committee.

"There is the headline, which is (aimed) at French voters, and then there is the fine print, destined for other finance ministers, which is much less categoric," comments one official.

In fact, the document Mr Balladur has circulated to his EC colleagues contains more questions than answers, and is barely more detailed than his recent public speeches.

The clearest indications of Mr Balladur's line of thought come in a speech he made in December, where he argued for a gradual strengthening of the European Monetary Co-operation Fund, which already exists to help finance intervention by central banks within the European Monetary System. By giving the fund its own identity and reinforcing co-ordination of monetary policies, it could be made into an embryonic head for a future federal central bank.

More important for France in the short term is further progress on the lines of the Nyborg agreements, aimed at greater symmetry in the obligations imposed on members of the exchange rate mechanism of the EMS. Concretely, this means a greater effort by West Germany, whose policies are viewed as "abnormally restrictive" by Mr Balladur, to defend EMS exchange rates, instead of always placing the burden on the countries with weaker currencies.

Yet officials indignantly reject any suggestion that the idea of a European central bank is just a stalking horse designed to force further concessions from the Germans, and they believe that West Germany would prefer a single and autonomous central bank to the current "do-it-yourself" mechanisms of the EMS.

With a single internal market, in financial services as well as in goods, due to come into being in 1992, Europe will need much stricter co-ordination of monetary policies to avoid disorderly swings between currencies. Ultimately, that means the creation of a common currency with a single central bank controlling its issue.

More generally, French finance ministry officials take seriously their self-appointed role as the ideas men of the international monetary system.

"They laughed at us three or four years ago when we suggested target zones for exchange rates," recalls an official, "and now they admit we were right. You cannot keep on looking in the rearview mirror, and if you do not put ideas on the table then you will never make progress."

Edouard Balladar, above, received a rebuff for his baste from Helmut Kohl, below

Bonn sees monetary union as far-off goal

BY DAVID MARSH IN BONN

WHEN the French and West Germen governments announced in November the idea of setting up a co-ordinating committee to harmonise economic policies, officials from the Bundesbank confessed themselves surprised at learning of the idea from the newspapers the next day.

The committee was duly set up on Friday as part of the ceremony in Paris marking the 25th anniversary of the Elysee Treaty. But French notions of using the body to add political bite to plans to set up a European central bank have been given a cold douche.

The Bundesbank, which on Thursday voiced misgivings about the economic committee, has made clear its scepticism about the European central bank initiative put forward by Mr Edouard Balladur, French Finance Minister. The Bundesbank'e policy-making council nominated to the committee its president, Mr Karl Otto Poehl, with an important reservation.

The Bundesbank has made its links with the new body conditiooal oo a legal undertaking thet the Franco-Germen committee will not interfere with the Bundesbank Law which guarantees the ceotral bank'e indepeodeoce. This should ensure that the committee has only a consultative status.

Mr Helmut Kohl, the Chancellor, has already poioted out this month that the Bundesbank's atatutory autonomy forms one important obstacle to the European central bank initiative.

Mr Kohl, at a press lunch 10 days ago, issued a clear rebuff to tbe French suggestiou by declaring it simply a long-term goal. The Commonity would first have to give priority to acbleving economic convergence, setting np e common internal market by 1992 and also to harmonising European tax systems, be said.

The step-by-step approach set down by both Mr Kohl and the Bundesbank towards the far-off goal of European monetary union is in contrast to the greater enthuslasm voiced by Mr Hans-Dietrich Genscher, the Foreign Minister.

Mr Genscher believea that improved European monetary co-operation is oot simply a possible consequence of, bnt a condition for, success of the planned EC internal market. In a clear attempt to hold out an olive branch to the French on the matter, he spoke last week in Strasbourg of the need to examine possible "institutional" steps towards creating a European central bank.

The idea of moving to a "second stage" in the European Monetary System, through the setting up of a European Monetary Fund to pool permanently part of the reserves of European central banks, has been on the agenda since the EMS was set up in 1979.

But Mr Poehl at the Bundesbank made clear last week that the criteria for any instititional changes in the EMS remain the same as a decade ago. Although declaring himself in favour of the long-term aim of a common central bank, he said it would have to be geared to a common goal of monetary stability - and would also have to be independent of governments

Mr Genscher talks of putting forward ideas for improving the workings of the EMS during West Germany's six-monthly EC presidency. But the agreement reached among EC finance ministers and central bank governors last September extending credit possibilities for EMS members intervening to defend weak currencies seems as far as the Bundesbank is willing to go at the moment.

● Mr Helmut Schlesinger, vice-president of the Bundesbank, eaid yesterday that moves towards a European central bank "lie fairly far away in terms of time".

MINERS' ELECTION RESULT HINTS AT MEMBERS' RESERVATIONS

Lower majority for Scargill likely

BY CHARLES LEADBEATER

MR ARTHUR SCARGILL, the National Union of Mineworkers' President, last night seemed certain to hold onto office by a margin of about 10 per cent in the union's presidential election.

With the count running late into the night, Mr Scargill's supporters confidently predicted he would win with about 55 to 56 per cent of the vote, a severe reduction of his majority in 1981, when he was elected by 70 per cent of the vote.

The union's 86,000 miners voted in a pithead ballot on Friday, which was triggered in November, when Mr Scargill unexpectedly announced he was resigning to seek re-election.

His victory over Mr John Walsh, a right-winger from North Yorkshire, makes it extremely unlikely there will be any early reconciliation between the NUM and the Nottinghamshire-based, breakaway Union of Democratic Mineworkers, which was formed in the aftermath of the 1984-85 miners' strike.

The vote will give Mr Scargill a secure platform to campaign for the union to fight British Coal's modernisation plans, which include further pit closures and the introduction of flexible working.

Mr John Walsh: likely to lose the contest for a second time after the failure of his 1984 challenge for the leadership

Mr Arthur Scargill: supporters were confident last night that he had won 55 per cent of the vote

In the short term, he will also be in a stronger position to stymie his so-called "new realist" opponents in the NUM and the labour movement generally. But it is far from the ringing endorsement he would have required to swing the union behind his militant policies.

Mr Scargill will be strengthened in dealing with the union's National Executive Committee, which has been increasingly critical of him during the last 18 months. But it seems unlikely the election will resolve the struggle in Mr Scargill's favour.

Even his supporters acknowledged that Mr Walsh, who has stressed the need for the union to negotiate more with the corporation, had won a respectable vote.

The campaign has brought previously muted criticisms of Mr Scargill into the open, even in his Yorkshire heartland, where critics have gained confidence in the course of the campaign.

The way the election has left the long-term struggle for control of the union unresolved was exemplified by the vote in South Wales.

Branch officials there said the 60 per cent vote for Mr Scargill was largely a vote against the introduction of flexible working. However, many miners were said to have voted for Mr Scargill out of loyalty and despite strong reservations.

The area recently voted heavily against escalating the union's over-time ban as a result of the corporation's disciplinary code, one of Mr Scargill's most specific proposals.

It is widely thought that Mr Walsh's campaign has laid the basis for him to run as a strong candidate for the union's general secretaryship, when Mr Peter Heathfield, a key ally of Mr Scargill, retires some time in the next two years.

Mr Jim Dowling, leader of the Midlands' craftsmen, predicted Mr Scargill's victory would further divide the union, with areas increasingly forced into local agreements with the corporation over production patterns for planned super-pits.

Making a big fist out of a bad blow for trade unions

BY PHILIP BASSETT, LABOUR EDITOR

UNDER DARK and heavy skies, in sweeping cold, about 4,000 union activists gathered in snowy Cheltenham at the weekend to mark the fourth anniversary of the Government's banning of trade unions at the GCHQ intelligence centre in the elegant *Gloucestershire town.*

It may be for the last time. The number of union "refuseniks" at GCHQ who have maintained both their union membership and employment at the centre against the Government's wishes, is now down to 26.

Many of their leading proponents have had enough of the pressure – many have lost promotion and pay opportunities – and gone. Support is clearly dwindling: it was not just the bad weather conditions which made Saturday's march and rally the poorest-attended so far.

Conflict at GCHQ in central England dates from January 1984 when the Government banned trade union organisation at the secret intelligence-gathering and monitoring centre. Industrial action between 1979 and 1981 had convinced the authorities that national security was in jeopardy.

Every speaker at the anniversary rally promised continuing support for those still holding out. Mr Norman Willis, general secretary of the Trades Union Congress, told the rally that the occasion was "a splendid showcase for trade unionism," providing an image of the unions which was "attractive and responsible."

But his words, and those of other union and Labour Party speakers, were accompanied by constant shouts of abuse from supporters of far-left Trotskyist groups. Only Mr Clive Jenkins, this year's TUC chairman, who chaired the event in a relaxed manner, was able to silence them, when, while reading out a message of support from Liberal Party leader, Mr David Steel, he snapped out: "Be quiet! This is too important for petty sloganising!"

With falling numbers, union leaders are now noting the dwindling support and wondering whether, accordingly, the event should be merged with the annual rally to commemorate the Tolpuddle Martyrs in midsummer.

The march through Cheltenham mainly raised questions from bystanders about what it was all about: even for those living close to GCHQ, the union ban is now a long while ago. There was little if any hostility: indeed, as the march swung past the Midland Bank, a blue-coated grandmother and her granddaughter kicked up their legs to the rhythm of the brass band music.

But as jazz players, George Melly and the Feetwarmers, entertained some of the crowd in a large marquee, something of small-scale, but important, significance was happening outside.

GCHQ is only one on a growing list of union derecognitions and the unions have barely learned how to handle them.

Their protest at the GCHQ de-unionisation over, some of the marchers slipped across the road. On their way, they walked with unanimous lack of interest past a branch of Pickfords Travel – a company which has also recently got rid of unionisation.

Even though it is not the only de-unionisation case, for the unions, GCHQ has been much more public, and because of the terms in which it was posed – trade unionism vs. national security – more unpalatable than a case like Pickfords. Although a hopelessly lost cause from the start, it was, at the same time, virtually the only case the unions might be able to recover through a change of Government.

No brass bands, banners and bunting, then, outside Pickfords Travel in Cheltenham, or outside the local branch of the never-unionised McDonalds fast food chain.

However long a life it has left, the anniversary event at Cheltenham makes the best fist possible of a bad blow for British unions. But GCHQ is only one – albeit an important one – on a lengthening list of union de-recognitions; and the unions have barely started to learn how to handle them.

Trade unions 'are key to Labour victory'

By Our Labour Editor

TRADE UNION popularity is the key to the opposition Labour Party being successful at the next UK general election, a senior union leader said at the weekend.

Mr John Edmonds, general secretary of the GMB union, dismissed suggestions that Labour could win by distancing itself from the unions. Launching, in Glasgow, Scotland, a GMB consultation programme to find a winning formula for Labour for the 1990s, he said that without the unions Labour would have no engine to carry forward its ideas to electoral success.

He said: "The proper way forward is to ensure that unions are seen to be a popular and civilising force in our society.

Tory MPs likely to support pleas for more health funds

BY PETER RIDDELL AND PHILIP BASSETT

The GOVERNMENT faces continuing pressure this week in Westminster and from the nursing trade unions over the funding of the National Health Service.

Senior ministers have been hoping that the row over the NHS might cool after last week's decision to rule out any extra money in the March 15 budget and to broaden the debate by encouraging closer links with the private sector.

However, leaders of the nursing unions will today press their members' case on pay and allowances at a meeting with the nurses' pay review body, which is due to report in April.

Moreover, not only does the Labour Party leadership intend to continue its high profile campaign but anxious Conservative members of parliament will press Mr Nigel Lawson, the Chancellor of the Exchequer, for an immediate injection of cash when he attends tomorrow evening's pre-budget meeting of the Tory MPs finance committee.

Some MPs will argue that there is ample money available both to relieve immediate pressures in the NHS and for a 2p cut in the basic rate of income tax and personal tax reform. Others, however, will back the Government's view that additional money should not be provided without conditions and that the priority should be efficiency and longer-term reform.

Mr John Moore, the Social Services Secretary, is hoping to gain the support of Tory MPs by pressing for much closer links between the private sector and NHS hospitals in the joint use of facilities, and allowing health authorities to make profits from the supply of services and facilities.

Leaders of the nursing unions yesterday strongly denied any central co-ordination in the current rash of strike action planned or taken by their members.

Although all the nursing unions have collectively pressed – probably fruitlessly – for a meeting with the Prime Minister, they are insistent that the impetus for action is coming from union members.

They rejected, too, attempts by the Government to blame the *unions for the current NHS* crisis, which ministers see as a way of regaining the initiative in the propaganda battle over the NHS.

Mr Rodney Bickerstaffe, general secretary of the public employees' union Nupe, said: "I shall continue to tell people what my members are telling me."

£1.3bn jobs programme attacked

By Charles Leadbeater, Labour Staff

THE £1.3bn training programme for the adult unemployed, which the Government plans to launch in September, will not be voluntary, will not deliver high quality training and will leave most participants worse off, according to a report published today.

The report by the Unemployment Unit, the unemployment pressure group, draws on the Manpower Services Commission's plans for the programme, and experience with other schemes.

The MSC's insistence that participation in the scheme should be voluntary is likely to become a "hollow promise," the report says.

It predicts that people who refuse a place on the scheme, which is intended to provide an average of six months training for adults unemployed for more than six months, will have their social security benefits reduced.

The Government is likely to claim that this still leaves participants with a choice and thus that the scheme meets the MSC's requirement that it should be voluntary.

The report also argues that many participants, who will be paid an allowance worth about £10 a week more than their social security benefits, will be worse off under the programme.

The New Adult Training Programme, available from the Unemployment Unit, 9 Poland Street, London W1V 3DG

Water boards head for clash on privatisation

BY RICHARD EVANS

THE GOVERNMENT is heading for a fresh clash with water industry leaders over controversial proposals for restructuring after privatisation.

Most of the 10 water authorities in England and Wales will oppose Environment Department plans to keep the size of the proposed National Rivers Authority to a minimum by contracting back much of its operational work to the privatised authorities by competitive tender.

Thames Water, by far the largest and most profitable of the 10, and the most vocal in its opposition to the Government's plans, is determined not to contract for any work from the NRA. Most of the other authorities have grave reservations about the viability of contracting back on the Government's terms.

The authorities' position, confirmed at a meeting of the 10 chairmen in London last week, will embarrass mialsters who are anxious to avoid creating a big quango to regulate the industry after privatisation in 1989-90.

The industry chairmen argue that it will not be possible for them to compete for contracts for land drainage or flood management by retaining a permanent staff which might then have to be laid off should key contracts not be gained.

They believe it would be impossible to compete effectively with big construction companies such as Trafalgar House, Costain or Tarmac, which would hava the cost advantage of casually employed labour.

The authorities are in favour of contracting back in principle but only if they are given statutory responsibility for the operational functions over a lengthy period of 25 years or so. The Environment Department proposal is for each contract to be tendered for separately.

Water authority chairmen fear that the Government's proposals, which will leave the privatised public limited companies responsible simply for clean water and sewage, might make them less attractive to the private investor when they are floated, probably in batches, towards the end of 1989 and into 1990.

A medium-sized, well run authority, such as Southern, could be used as a test case for flotation to aid difficult judgments on what price to put on the two largest aothorities, Thames and Severn Trent, which would come later in the sequence.

Thames's hard-line attitude against tendering is unlikely to make Mr Roy Watts, tha authority's chairman, any more popnlar with ministers. Mr Watts has led the industry's abortive campaign against the privatisation strdcture favoured by the Government, and there are growing hints that Mr Nicholas Ridley, Environment Secretary, will not renew his contract when it expires in September.

Managers' buy-outs treble to £3bn value

By David Churchill

THE TOTAL value of management buy-outs last year exceeded £3bn for the first time – three times the value of such buy-outs in 1986.

The figures come from the Ceatre for Management Buy-Out Research at Nottingham Uuiversity, founded by Spicer & Oppenheim, the accountancy firm, and Barclays Development Capital.

The centre says a key feature of the market in 1987 was the development of "the very large deal", such as the UK's largest management buy-out, the £717m MFI/Hygena deal.

Mr John Coyne, the centre's joint director, said: "The breakdown of buy-outs by value shows that deals in the £1m to £5m range are growing at the expense of smaller deals and now account for more than 42 per cent of all buy-outs by volume. But the highest growth has been in deals of over £25m."

The south-east of England still accounts for about a third of all buy-outs by volume, but there has been activity in the East Midlands, Scotland and Wales.

Alan Pike looks at the pioneering income-raising work of a London hospital

Health authority nurses funding innovation

COMMERCIALLY SPONSORED surgical operations? Dr Ken Grant, district general manager of City and Hackney Health Authority, is listing ways in which his overspent authority may be able to raise extra funds.

"Well, why not have sponsored operations? I can't see why not."

City and Hackney does not have sponsored operations, at least not yet. But the suggestion helps to make a more general point. Outside finaneial support for hospitals through bequests, endowments and fund-raising activities is nothing new. In that indirect sense, *there have always been sponsored operations*, even though nurses do not have commercial logos on their uniforms.

'The more we can increase our allocation the more jobs we can provide'

The only difference is that, in the preseot state of NHS finance, fand-raising has assumed greater importance. In an age when charities, arts organisations and universities are all chasing the same commercial sponsors, the hospital league of friends' annual bazaar needs to be augmented by something more sophisticated.

City and Hackney is employing professional help to look at ways of developing sponsorship and fund-raising. Ideas being explored include a lottery aimed at City commuters, although that would have to overcome legal complications.

Dr Grant recognises in a report that income-generating activities may "go against the philosophical beliefs" of some members of his authority, which incongruously twins the wealthy City of London with Hackney, one of the capital's most deprived and left-wing boroughs.

"But if we see our prime role as providing the best health care we can for those to whom we are responsible, then we should consider them," he says in the report. "We should also remember that the more we can increase our allocation, then the more jobs we can provide."

The authority has been generally supportive, and City and Hackney is in the lead when it comes to running the type of *commercial activities in hospitals* the Government is encouraging in its Health and Medicines Bill. Almost everything the bill will allow is already to be fouad at St Bartholomew's (Barts), the authority's City hospital.

Smartly designed literature offers public and private customers the chance of purchasing a range of Bart's services, including printing, laundry, fire training, radiation safety, security and conference facilities. All are specialist activities that the authority has to provide for its own needs. It raises extra cash by selling spare capacity to the outside market.

Dr Kenneth Grant: prime role is health care

"We are doing the opposite to normal commercial organisations, where the tendency has been to concentrate on core activities and drop the fringe ones. Here we are making our fringe activities as excellent as we can and marketing them."

The main complaints have come not from left-wing councillors but from commercial laundry companies, which hoped to get the authority's laundry business and bave instead seen it begin to take theirs. Bart's laundry is located close to the M20 and M25 in Kent and, the authority believes, is one of the most reliable, efficient and cost-effective in the country. It offers its hotel and other customers collection and delivery and a full range of linen managemeat and stock control services.

Yet if the authority limited itself to selling laundry and printing it would, Dr Grant points out, not be marketing what it is best at – its clinical skills.

There are no private beds in Barts, and the authority intends that to remain the case. But the hospital's facilities are being offered to private markets in other ways. There is only enough NHS finance to run its breast-screening facilities from 9am to 5pm. So City companies are offered the chance of paying for female employees to be screened in the evenings.

Some ideas under consideration are on the borderline between ambition and audacity, such as trying to persuade City companies to replace private health insurance for their employees with special contracts at Barts. Contract work for overseas clients is also being considered.

Another possibility is the sale of facilities at Barts to other health districts. Dr Grant supports the idea of an internal market within the NHS. It is often cheaper and more convenient for all concerned if a commuter needing minor treatment spends an hour or two at Bart's, rather than taking a whole day off work to visit a local hospital. However, City and Hackney is not paid for auch work at present.

Income generation possibilities are worth exploring, Dr Grant believes, provided they do not threaten the mainstream work of treating NHS patients. "They are good for morale as well as income. The most depressing aspect of my job is stopping doctors working because we are over budget. Extra work helps keep up our activity rates."

'Most depressing aspect is stopping doctors working for lack of funds'

City and Hackney already raises considerable amounts of money from outside sources. A Children's Cancer Appeal has produced £1m with another £500,000 pledged, while research income at St Bartholomew's Medical School in 1986-87 came to £5m. Other health districts, without either the fame of Barts or its City connections to trade on, do not have an equivalent potential for generating income.

Dr Grant believes that extra money must not be seen as the panacea for overcoming the constraints of NHS funding.

"We are projecting a budget deficit of £20m within four years. I should need a fringe activities division bigger than the entire UK private hospital sector to produce enough profits to clear that."

Call for all-party talks on secrets law

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT is being pressed to enter into all-party talks about its forthcoming proposals for the reform of the Official Secrets Act.

The call comes in a letter this morning to the Prime Minister from Mr Richard Shepherd, Conservative MP for Aldridge Brownhills, and other sponsors of the bill to replace section two of the act, which was defeated in the Commons by 37 votes 10 days ago.

They argue that it would be in the national interest if any bill were to have the general support of all the principal parties in Parliament. The Government has promised a white paper in June with early legislation, probably in the 1988-89 session.

Mr Shepherd and his allies say their fear "is that a measure promoted by a government but opposed by opposition parties might emerge to replace section two. Such a situation would prevent the stability and continuity which should be maintained in policies relating to the protection and security of official documents.

"We therefore request that before publishing proposals in the form of a white paper, the Home Secretary should engage in discussions with representatives of other parties in an endeavour to arrive at agreed structures, to replace section two, and so that these discussions might proceed with the declared support and goodwill of the Government and the official opposition.

"In a nutshell, we believe that the security of our nation would be stronger and more effective if the legislation which dealt with it was such as to command a broad spectrum of support among all parties."

Other sponsors include former Cabinet ministers Sir Ian Gilmour, Mr Michael Foot, Mr Merlyn Rees and Dr David Owen, as well as prominent backbenchers such as Mr Jonathan Aitken.

Aims council elects three more members

By Hazel Duffy

AIMS OF INDUSTRY, the right-wing pressure group for promoting enterprise, has no intention of giving up the campaign in spite of the launch of the Department of Trade and Industry as the enterprise department.

The group announces today that three more members have been elected to the council: Sir Clifford Chetwood, chairman, Wimpey; Mr Denis Cross, director, Hambros Bank; Mr Michael Stoddart, chairman, Electra Investment Trust.

A panel of advisers has also been created. They include academics, politicians – including Mr John Redwood, former head of the Downing Street Policy Unit, and Sir Geoffrey Pattie, former DTI minister – and businessmen.

Aims of Industry will be carrying out an advertising campaign this year to put the case for free enterprise.

Mr Michael Ivens, director, said: "We must bear in mind that only 32 per cent of the British electorate voted for a party with policies positively favourable to free enterprise in the last general election. So the need for a general education campaign is apparent."

Gould criticises plan to replace regional grants

By Our Political Editor

THE GOVERNMENT'S plans to replace automatic regional development grants by selective assistance have been criticised by Mr Bryan Gould, Labour's trade and industry spokesman.

Mr Gould said detailed figures in last week's public spending white paper showed that automatic regional development grants had cost £1,524 a job, but selective assistance had cost £1,965 a job.

Speaking on the eve of this afternoon's Commons debate on the bill to abolish automatic regional grants, Mr Gould said the new scheme would cost 30 per cent more to create jobs.

He said the fall in unemployment in the regions had not been matched by an increase in employment. He said unemployment figures were "falling not through the unemployed getting jobs but because people are moving south, being frightened off the unemployment register by excessive zeal in the Restart programme or by the expansion of training schemes."

GrandMet-Holsten deal

BY LISA WOOD

GRAND METROPOLITAN, the drinks and hotel group, is expected this week to announce the extension of its licensing agreement for imported lagers with Holsten-Brauerei of Hamburg.

The new deal will extend GrandMet's existing exclusive rights to package and distribute Holsten Diat Pils, a brand sold nationally, and to brew and distribute Holsten Export Strong Lager in the UK until 2003 in an area to include Northern Ireland. The existing agreement lasts until the mid-1990s.

GrandMet will also be able to introduce other Holsten products under the new deal, part of GrandMet's strategy of strengthening and extending licensing agreements, including that for Foster's lager with Elders IXL and for Budweiser, owned by Anheuser Busch.

GrandMet believes these licensing agreements involving strong brands will strengthen its position should there be any substantial change in the tied-house system in Britain.

Holsten products are handled by GrandMet's brewing division and by Holsten Distributors, which is 49 per cent owned by Holsten-Brauerei.

Economists cast doubt on City job loss forecast

BY NICK BUNKER

A FORECAST that the City of London might lose 225,000 jobs by 1993 was met with derision from economists yesterday.

The forecast from Coutts Career Consultants, which specialises io finding jobs for redundant staff, is by far the most pessimistic estimate of the prospects for City jobs after last October's market crash.

Mr Stephen Johnson, the firm's managing director, said the City might lose half its 450,000 jobs over the next three to five years.

However, his prediction ran into difficulties wheo it emerged that, according to the most recent estimates, the Sqnare Mile employs only 220,000 white-collar people.

Mr Johnson was reacting to commeots by Mr Stepheo Lewis, an economist with Phillips and Drew, the stockbroker, who said the collapse might lead to 50,000 City redundancies.

Mr Johnson compared job losses in the City to those in industries such as motor manufacturing.

Extensive redundancies were usually preceded by a combination of two factors, he said: a series of technological advances, plus a change in market conditions that speeds up the introduction of new technology.

"The Big Bang brought these pressures to the City," he added. "Then came Black Monday."

Even Mr Lewis said yesterday that 225,000 "seemed a little high."

Mr Amin Rajan, a senior research fellow at the Institute of Manpower Studies at Sussex University, disclosed that the entire British financial services sector – inclnding banking, building societies and insurance – employed only abont 700,000-800,000 staff.

Of those, about 220,000 are in the Square Mile. "I don't know where people get this figure of 450,000 in the City. They just pluck it out of the air," he said.

Mr Rajan's figures come from work in progress at the institute on a study of City labour market trends in the light of technological innovations.

His last study, in 1986, actually showed that there was net growth of 2-3 per cent a year in City jobs.

Mr Roger Bootle, chief economic adviser to Lloyds Merchant Bank, pointed out that most of the City's workforce had nothing to do with the stock market but was involved lo areas such as foreign exchange dealing, commercial banking, and commodities.

He said: "225,000 is in the realms of fantasy."

Independent forecasters see growth fall to 2.4%

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S big independent economic forecasters expect the economy to grow by 2.4 per cent in 1988, down from an expansion rate of nearly 4 per ceot last year.

The latest Treasury analysis of independent forecasts suggests an even more marked slowing of growth as the year progresses.

Year-oo-year growth of 2.4 per cent can be achieved with a much smaller actual increase in output this year because the buoyancy of the economy in the last months of 1987 will boost the year-on-year comparison in the first half of 1988.

In spite of the expected slowdown, agreement among independent forecasters points to a marked deterioration in Britain's trade position. The average projection is for a wideniog of the current-account deficit to £3.6bn in 1988 from £2bn in 1987.

Unemployment, which fell sharply during 1987, is expected to average 2.6m in the fourth quarter this year compared with 2.7m in the same period of 1987.

Inflation is expected to remain relatively subdued, with an average rate of 4 per cent projected for the last three months of this year.

Our political staff report on the great Liberal debate and candidates for leadership of a merged party

Historic decision in the teeth of a political blizzard

ANYONE FOOLISH enough to be out on Saturday, trudging throogh Blackpool's blizzard along a windy north shore, might have heard what one delegate to the Liberal Party's special assembly was moved to describe as "the last hurrahs of back-pack democracy."

Besieged by snow and incarcerated in the vast, waterside warehouse that is the Norbreck Castle Hotel, the Liberal family had battled with the weather, wrestled with its faith and struggled with its conscience, finally to decide overwhelmingly that its best hope for rebuilding a powerful, radical, left-of-centre party lay in union with the Social Democrats.

This was no ordinary Liberal assembly. In spite of overnight pleas for everyone to raise their sights above the minutiae of legalistic sub-clauses, the event got off to a bad start with the moving of what the chairman described as a "secondary constitutional amendmeot to tho constitutional amendment which amends the Liberal constitution."

The import of the truly historic decision before them was intimidating enough to rapidly concentrate all minds and to eradicate the anarchic indulgences that usually provide the flavour for such gatherings. Unwittingly, it provided an insight ioto how the new, "decentralised, deliberative, democratic blueprint" is intended to work.

It was an agonising decision – still subject to endorsement by the other, equally nervous partner – in which the threat of political stagnation and impotence, together with the prospect of a brave, new adventure, triumphed over fears about the fate of Liberalism within the new alliance.

The scale of the landslide in favour of merger reflected not so much a fresh political convictiou or direction as an acknowledgement of inevitability, a statement of optimism and of readiness to give it one more try. There was some truth in the claim of one merger critic that support for the plan was being "measured by degrees of reluctance, rather than on any scale of enthusiasm."

It was an emotional gathering, dominated by ghosts of days gone by, visions of what lay ahead and the ever-present spectre of Dr David Owen. If Mr David Steel thought he would suffer for his recent policy indiscretion, he found any anger instead directed at the former SDP leader. The banners read, perhaps a little too optimistically, "Stainless Steel."

The past was still present in the shape of such people as Jo (now Lord) Grimond, the father of post-war Liberalism and nnwavering ebamploa of realignment on the left. There were repeated visitations from Henry Campbell Bannerman and Lloyd George, as well as impassioned references to the party's Whig and Radical forefathers.

It was, in the end, a day of looking ahead, a day for deciding that, whatever the doubts, there could be no going back. As Lord Grimond put it at an eve-of-conference rally, he wanted to see Liberalism in government, not preserved in a glass case. Mr Ludovic Kennedy, 25 years a party member, reminded everyone: "Politics is not about what is perfect but what is possible."

Mrs Shirley Williams, SDP president, said that if the two parties chose to continne "playing around in the corners of history," future generations would never forgive them.

Ashley Ashwood

David Steel: soul of Liberalism will shine through

Mr Paddy Ashdown, the man whose leadership chances appear threatened only by his dangerously large lead over other possible contestants, said the two partners could build a new, radical force capable of looking forward instead of over its shoulders.

Mr Malcolm Bruce, another possible contender, wondered how on earth the Liberals could not agree to work with people like Mrs Williams, Lord Jenkins or Mr Charles Kennedy, the young Scottish SDP MP who will sensibly wait a while longer before trying to claim the crown.

However, it was Mr Steel who, having made a brief atonement for his misdemeanours, made the best case for portraying the Liberals and the SDP as "natural partners" and to restate their political objectives.

His party, he urged, could not allow itself to wallow in its longevity, history and traditions to the extent that it ignored the strengths and qualities of the SDP. The Social Democrats had become "brothers and sisters" and, taken together, their assets and qualities would provide a formidable force.

Careful not to give succour to the spoiling tactics of those merger opponents warning the SDP of a predatory, predominant Liberal partner in any new party, Mr Steel said the soul of Liberalism would nevertheless shine through. It would, he added, be carried proud and intact into a partnership that had already proved itself at "grassroots" level.

He would be Liberal to the day he died. "Liberalism was not a creed, a dogma or a fixed ideology, it was about developing people's potential and enlarging their freedom. It was the spirit which sustained the "adventure of progress."

In an afternoon of mounting passions, the anti-merger rump got into its stride. The argument, personified by Mrs Claire Brooks, the party's female equivalent of Mr Cyril Smith, was that Liberalism had lost faith in itself, could stand on its own two feet and should not move in with suspicious neighbours.

Mrs Brooks said a merger would split the Liberals and repeat historic, party-rending tragedies of the past, and she cited the Home Rule Bill of 1886 and the later unfortunate undoing of Lloyd George. In any case, she claimed, those supporting a merger were only to be found locked up in bunkers in Richmond and Barnes. The mergerites insisted the country demanded a merger. In truth, the country could not care less, she said.

Less dramatically, Mr Tony Greaves, a leading anti-merger activist and dubbed "Eminence Greaves" by his detractors, said the fight against Thatcherism was best conducted from within an independent Liberal party.

He claimed the Liberals were tearing themselves apart. A merger of three quarters of the Liberals with, perhaps, a third of the SDP was not the way ahead.

Mr Michael Meadowcroft, the former Liberal MP for Leeds West and champion of the case against continuing Liberal pnrity, also attacked "entryism" of the type practised by extremists in the Labour party. Mr Meadowcroft, whose often personalised campaign has won him few friends within the party, said the merger motion was a "vote for no confidence" in the Liberals.

In spite of the doubts and uncertainties, the anti-merger camp failed to state its case and relied, instead, on an unsuccessful appeal to the emotions. There was no detailed attempt to describe just how a "reprieved" Liberal Party would pick up the bits and carry on. The waverers, and there were plenty, sought safety in numbers.

Now the spotlight inevitably turns on Sheffield and next week's SDP merger conference. Mr Maclennan can expect a much tougher time and will be grateful for the powerful presence of Mrs Williams, Lord Jenkins. With the Owenites still declaring that they do not intend to frustrate a merger by using their votes to block a deal, the odds remain on a positive vote in favour of union with the Liberals.

If things go according to plan – and there are no such guarantees in this continuing quest for an electoral renaissance – the parties will ballot next month, the new party will be launched in March and the first leader will be elected in the summer.

On Saturday, delegates trudging away through the snow were held up by the arrival of a wedding party. Some took it as a welcome omen and most hoped the marriage, like their own intended union, would prosper and prevail.

Michael Cassell

Front runners go through their paces for the election race

THE RUNNERS for the leadership of the new Social and Liberal Democratic Party are now in the paddock. The contest will not be until mid-summer at the earliest but the favourites are now exercising themselves.

They are all, of course, denying that they have yet decided to run. The first priority is to get the new party up and going. Yet manoeuvring is already under way.

The key decision is naturally Mr David Steel's. His public agonising has been on daily, even hourly, display. His present view is that he is unlikely to stand. But he is not closing any options and will not declare his hand until after the result of the Liberal membership ballot on merger is announced in early March.

Mr Steel may have been battered by events this month such as the unanimous rejection of the first joint policy statement by his fellow MPs and its immediate withdrawal. But he has since – and particularly in Saturday's skilful speech – shown the extraordinary resilience that has kept him as Liberal leader for 12 years.

So no one should write him off, yet; and there is pressure for him to stand from Mrs Shirley Williams and the allies of Lord Jenkins.

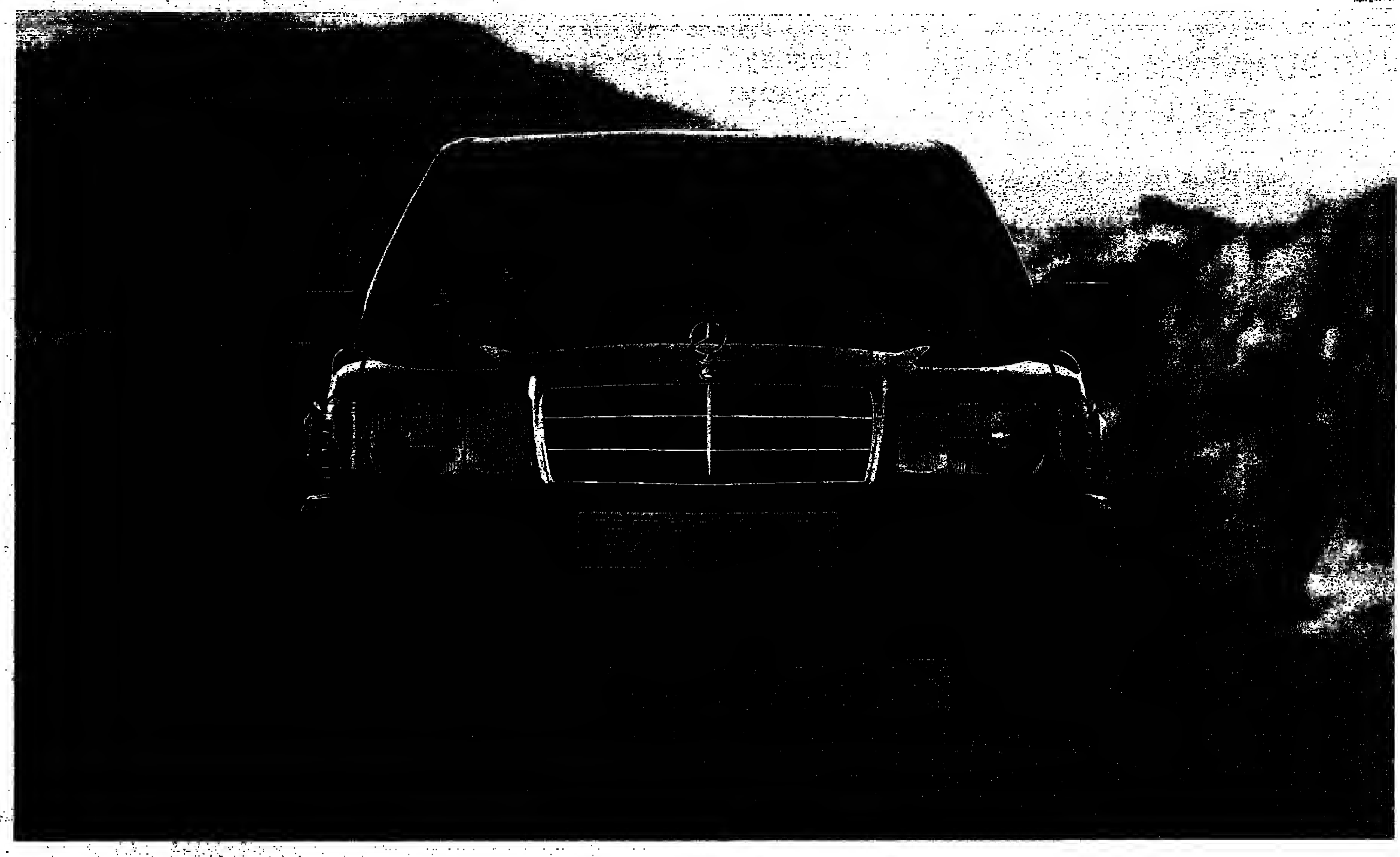
Whatever Mr Steel decides, there will probably now be a contest. Among the likely contenders are:

- Mr Paddy Ashdown, a former Royal Marine and MP for Yeovil. He is tho front runner – having two favourable profiles in the weekend press – with the looks and style to be a leader. Many fellow MPs regard him as erratic, while he has alienated some local activists with his shifts on defence. However, he has won friends by being publicly discreet recently.
- Mr Alan Beith, the deputy parliamentary leader. He was previously regarded as sensible, if rather dull, but has won friends (among local activists) and enemies (among some friends of Mr Steel and Social Democrats) over his involvement in the drafting, and withdrawal, of the first policy statement.
- Mr Malcolm Bruce, MP for Gordon in north-east Scotland. Ho is more effective as a conference and television performer than in the Commons, but has gained support recently.
- Mr Simon Hughes, the victor of the Southwark and Bermondsey by-election in 1983. He is a vigorous campaigner who can sway the rank and file and could stand as the conscience of the environmentalist/unilateralist wing.

Every candidate has to be an MP, so there are only two Social Democrat possible runners. Mr Charles Kennedy, still only 28, has firmly ruled himself out this time, which leaves Mr Robert Maclennan, who has had a rough ride from his own party in the past 10 days. Mr Maclennan stands no chance of winning the leadership and much will depend on how he comes out of next weekend's SDP conference in Sheffield.

Peter Riddell

RJA 247FTF



Inside this 190 there's a larger Mercedes-Benz ready to come out

Don't be deceived by the size of a 190. The moment you take the wheel and take to the road you'll realise it's a Mercedes-Benz in full measure.

Safety features are not compromised. Comfort and ride are not compromised. Handling and agility are not compromised. Build quality is not compromised. Consequently a 190 is a complete Mercedes-Benz in every respect except one – it occupies less road space.

To match the ride of the larger Mercedes-Benz the engineers developed a completely new type of suspension system for the 190 series. It consists of a unique multi-link arrangement at the rear and shock absorber struts at the front. Though more expensive to make than conventional systems, it results in a ride that is superior to even the largest cars of the competition.

This suspension system, coupled with a sympathetic drive train and a range of very lively engines make the 190 series extremely rewarding to drive. At any speed they are as quiet as limousines. They will ghost over rough city streets. At motorway cruising speeds the superb aerodynamics and under-stressed engines create the type of relaxed, secure environment that is the hallmark of the larger Mercedes-Benz models.

There are only two occasions when the compact nature of the 190 becomes apparent: when it's being forced through a tight corner or parked in a tight space.

Shift down the five-speed manual gearbox or the sporty four-speed (dual phase) automatic transmission and a 190 will attack winding B roads with aplomb. It is a match for even the most demanding driver.

When the 190 was first introduced it was frequently compared with the larger Mercedes-Benz models. In 1988 it is much more than simply a smaller Mercedes-Benz. It is an established range in its own right. Six different cars, each with a distinctive specification and a diverse range of options, enabling the prospective owner to order precisely the 190 he needs.

MODEL	ENGINE (CC)	NO. OF CYLINDERS	BHP (DIN)	0-62 MPH (SECS)	MAX (MPH)	MPG (LITRES/100 KM) URBAN	56 MPH	75 MPH
PETROL 190	1997	4	105	12.4	115	26.5 (10.6)	48.0 (5.9)	36.9 (7.7)
190E	1997	4	122	10 5	121	27.6 (10.3)	48.9 (5.8)	36 2 (7.8)
190E 2.3-16	2299	4	180	7.5	143	24.4 (11.6)	45.6 (6.2)	35.7 (7.9)
190E 2.6	2599	6	166	8.9	134	22 6 (12.5)	42.2 (6.7)	33.2 (8.5)
DIESEL 1900	1997	4	72	17.9	100	35.8 (7.9)	53.3 (5 3)	40.9 (6.9)
1900 2.5	2497	5	90	15.1	108	32.8 (8.6)	51.4 (5.5)	39.8 (7 1)

Condensing all of the essential qualities of Mercedes-Benz into the appealing shape of the 190 has produced a remarkable car. Not only does it incorporate the passenger safety cell and controlled-deformation crumple zones first invented by Mercedes-Benz, it has the build quality, dependability and high retained value the world has come to expect from the marque. It is a complete Mercedes-Benz in every respect, only a little easier to park.

ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

UK NEWS

Construction projects in Birmingham top £1bn

BY ANDREW TAYLOR

THE CITY of Birmingham, beaten 15 months ago by Barcelona in the battle to stage the 1992 Olympics, is enjoying a dramatic revival with more than £1bn of construction work under way or proposed, according to local officials.

Mr John Hales, assistant director of the city council's building consultancy department, says commercial developments valued at more than £650m are awaiting building regulations. That is at least four times as high as the department would normally expect.

Officials attribute the sharp rise in development activity to a partial recovery in the West Midlands economy last year and to the Birmingham Olympics campaign, which attracted a lot of attention and favourable publicity for the city, even though the bid to host the games failed.

The council estimates that the £1.5m it has spent on the campaign generated around £10m worth of publicity for the city.

It says a number of projects are still forthcoming and have not been included in its figures for proposed developments. Still to be included, for example, is a large urban regeneration project at Saltley/Nechells, to the north-east of the city centre, proposed by a consortium of construction companies including Tarmac, Wimpey, R. M. Douglas, Bryants and Galliford Brindley. The developers say the scheme could generate several hundred million pounds of construction work during the next ten years.

Tarmac, Britain's biggest construction company, which has its headquarters at nearby Wolverhampton, says: "The Midlands is definitely on the move again and is displaying a vitality which has not been seen for a decade."

Most of the new development proposals, however, have been concentrating on office and retail projects. Industrial developments, by comparison, have remained sluggish.

The city council says the pace of development has caused worries about the construction sector possibly overheating. Already there have been reports of skill shortages.

According to Mr Tony Ramsden, partner of Chesterton Higwood, estate agent and chartered surveyor, just under four fifths of the half million square feet of offices currently being built in central Birmingham are already spoken for and have been pre-let.

Large commercial developments under way or proposed for the city include:

- A £250m redevelopment of the Bull Ring shopping centre by London & Edinburgh Trust, which proposes to create one of the largest indoor shopping complexes in Europe.
- A £120m convention centre in Broad Street, which is being developed by the council and funded partly by the National Exhibition Centre and partly by European Community grants.
- A £180m shopping scheme and sports hall near Broad Street, which is being bid for by two separate private-sector consortia.

BIRMINGHAM CITY Council will this week invite young architects from nearly 300 countries to help to change the city's image, writes Richard Tomkins, Midlands Correspondent.

On Friday it is to launch an international design competition in which architects aged under 35 will be asked to submit designs for six key sites in or near the city centre.

The competition is part of a campaign launched in October to help to rid Birmingham of its concrete jungle image and establish it as an international city.

The winners, whose names will be announced in spring 1989, will share prize money of £45,000 which has been put up by local businesses and the city council.

Software support group launch

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

SOME NOVEL marketing support for small businesses will be inaugurated at the Durham Mountjoy Research Centre tonight when the Northern Development Company launches an experimental organisation called the Northern Software Federation.

Membership will cost £100 a year and be open to small businesses in the software industry. Few will be big enough to afford the annual £2,000 it costs to join existing support bodies such as the Computer Services Association. Nearly 150 small software businesses will attend the launch.

The federation will run regular seminars, publish newsletters and promote joint marketing initiatives and exhibitions. It will also act as a contact point for large companies looking for small software houses to do project work.

Mr John Fisher, the development company's industrial strategy manager, said: "Our research has shown that small software producers are technically clever but often have little idea how to market themselves or their ideas. A preliminary meeting in October attracted 70 of them and 40 indicated very strong interest.

"We now have a business plan, a constitution and articles of association for a Northern Software Federation, which will be a non-profit-making company limited by guarantee."

The federation's marketing launch will be via an industrial fair for its members in the spring. This will give them the chance to exhibit their talents and capabilities to potential buyers from large companies and the public sector.

"It will be a community of companies working towards common goals," Mr Fisher said. "Even competing small businesses in this field have common interests in the wider marketing sense, and we hope that opportunities will arise for members to form consortia and bid for bigger work than they could normally hope to get."

The development company has put about £3,000 of resources into getting the idea to tonight's launch. The project is the first of its type attempted since the company was formed last year to work on changing the declining industrial infrastructure of the north-east and Cumbria.

Company liquidation figures fall by 22%

By Richard Waters

THE NUMBER of UK companies going into liquidation last year fell sharply by 22 per cent, largely because of the effects of new insolvency legislation, according to the Department of Trade and Industry.

Liquidations fell to 11,189 from 14,405 in 1986 – the lowest number since 1981. The number of personal bankruptcies, meanwhile, declined slightly from 7,155 to 6,981, a drop of 2 per cent.

Changes introduced by the 1986 Insolvency Act "had a major impact on the timing and numbers of insolvencies, especially for companies," according to British Business, the Department of Trade and Industry publication, where the figures appeared.

However, the new procedure of administration introduced by the act, which was designed to help some companies avoid liquidation, was not responsible for the improvement in the figures.

Only 131 administrations were recorded during the year, said the DTI.

Retail companies continued to top the insolvency league, accounting for 18.5 per cent of liquidations, followed by construction companies, with 14.5 per cent – although the gap between the two categories has narrowed considerably.

The number of construction company liquidations rose by 3.5 per cent in the first nine months of 1986, while retailing liquidations fell by 2 per cent.

New banking complaint limit

By Our Financial Staff

HIGH STREET banking customers can now go to the Banking Ombudsman with complaints involving sums of up to £100,000 – double the previous £50,000 limit.

The change takes effect today, two years after the Banking Ombudsman scheme was first set up.

Mr Ian Edwards-Jones QC, the Ombudsman, said the maximum award he could require a bank to pay to a customer whose complaint was found to be justified was also being raised to £100,000.

Pressure in Labour Campaign Group to contest leadership

BY PETER RIDDELL, POLITICAL EDITOR

Eric Heffer: elections for leader possible

PRESSURE is growing in the hard-left Campaign Group for challengers to be put up this autumn for the leadership and deputy leadership of the Labour Party.

That is in spite of last week's decision by Mr John Prescott, the party's energy spokesman, not to stand against Mr Roy Hattersley, the deputy leader.

The Campaign Group, which has the support of 40 to 45 Labour MPs, has become increasingly critical in recent weeks of what it sees as an authoritarian drift to the right by Labour under the leadership of Mr Neil Kinnock.

None of the group's contenders, including possibly Mr Tony Benn, stands a chance of winning. However, they would attract media attention and might pick up the support of some constituency parties discontented with the leadership and with Mr Hattersley.

Mr Eric Heffer, MP for Liverpool Walton, argued in The Sunday Times yesterday that "it is still possible, perhaps it would be profitable, that we have an election, not just for the deputy leadership, but also for the leadership."

He said that if there was a groundswell of support in the party there should be elections. He disagreed with the view of Mr Kinnock that such elections would be "an unforgivable distraction."

Mr Heffer said it was vital that the socialist aims of the party should be made clear and, if debates about the party's stand were "crystallised by contests for the leadership and deputy leadership, then such contests must take place this year and possibly next rather than closer to the general election."

In a reference to the current leadership, he said: "The idea that Labour Party members should all silently conform is preposterous. Labour is a democratic socialist party, not a Stalinist one."

The party, he said, needed "a leader and deputy leader who believe in basic socialist principles, who will not compromise and retreat and who will not only listen to the yuppies but will both lead and stay close to working people."

Lawson 'could cut tax and still boost NHS'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor, could combine radical cuts in personal income tax rates with fiscal prudence in his March Budget, according to an analysis published today.

Mr Giles Keating, an economist at securities house Credit Suisse First Boston, says Mr Lawson could cut the basic rate to 20p, and the top rate to 35p, in a two-year programme costing less than £3bn a year.

That would allow the Treasury to set a target for a surplus on the public-sector borrowing requirement in the next financial year and would provide extra funds for the National Health Service.

Mr Keating's analysis indicates that such a radical reduction in tax rates would cost a gross £10.6bn by 1989-90.

But Mr Lawson could offset much of that by effective tax increases elsewhere.

They might include raising excise duties by more than the rate of inflation, which could add about £1bn to revenues in each of the next two years.

The Treasury could also raise £1.6bn by abolishing the upper earnings ceiling on National Insurance contributions.

Mr Lawson's commitment to increased independence for married women in their tax affairs could be an excuse to raise nearly £1bn over the next two years by freezing tax allowances for two-earner couples.

A *flat 35 per cent rate for* investment income and capital gains would increase revenues by close to £1.5bn.

Those and other measures would reduce the two-year cost of the income tax cuts to £5.7bn.

Investment in tourism rising

By David Churchill, Leisure Industries Correspondent

INVESTMENT IN the English tourist industry rose sharply in the second half of last year, according to figures published today by the English Tourist Board.

Capital spending on hotels, marinas, and other tourism projects between July and December last year was £1.2bn, an increase of 28 per cent on the same period of 1986.

The board's figures show that some 64 leisure projects worth £224m were completed during the six months under review, while a further 196 developments worth just over £1bn were under construction.

Hotels accounted for £357m and were the largest investment sector, with conversions especially popular.

Lot size for delta share quotes is cut to 100

By Clay Harris

MARKET-MAKERS in delta shares, the least frequently traded issues in the London stock market, will be allowed from today to quote prices for lots of only 100 shares, as part of Stock Exchange efforts to increase trading liquidity.

The marketability of smaller companies' shares has been a matter of concern since the October stock market crash, when many investors found it difficult, if not impossible, to transact business.

The change, the first since the Big Bang deregulation of the London stock market in October 1986, is one of several involving Seaq, the Stock Exchange's screen-based dealing system, that take effect today.

Prices quoted for delta shares will continue only to be indicative, which means that market-makers will not be obliged to trade at the prices displayed, as they are for the larger alpha and beta issues.

However, by reducing the minimum to a level more closely reflecting the pattern of demand, the Stock Exchange hopes to prompt market-makers to quote more realistic prices.

Paradoxically, a desire to improve market liquidity also lies behind the increase in the minimum lot, from 1,000 to 5,000 shares, for which prices can be quoted for alpha shares.

That is intended to discourage market-makers from using the previous very low level to deter trading in unfavourable market conditions. Minimum quantities for beta and gamma issues are unchanged at 1,000 shares.

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Roderick Oram on the dramatic metamorphosis of the world's largest photographic company

Eastman Kodak buys a billion-dollar dance ticket

"IT'S TIME to make this elephant dance," Mr Walter Fallon declared six years ago shortly before he retired as chairman of Eastman Kodak. With an over-valued dollar cruelly exposing its severe short-comings in innovation and management, the world's giant in photography had been left standing, humbled by its competitors.

Since then, the company has undergone one of the most dramatic metamorphoses in US corporate history. Even now the $13bn a year company is hardly a gazelle, yet it had learnt enough to pull off last Friday a sprightly courtship of Sterling Drug.

By out-bidding Hoffmann-La Roche of Switzerland for the US company, Kodak will take a huge leap in its ambitious diversification designed to complement its recently revived core photographic business. Overnight, Eastman Pharmaceuticals, estsblished in 1986, will turn itself from a bio-technology start-up into a major drugs company.

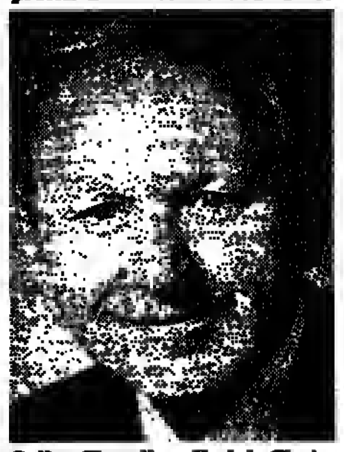
It is an elephantine deal. For $5.1bn, one the largest non-oil US takeovers ever, Kodak is buying a distribution network snd an array of over-the-counter and prescription drugs and household products which will help fund Eastman's own drug developments.

For Kodak a lot of other things bave changed over the past four years, particularly around Kodak's Rochester, New York, headquarters after the company took deeply painful measures to save itself from what had appeared to be inexorable decline. For almost 100 years, Kodak had virtually owned the photographic business in the US while also enjoying major stakes in most other markets around the world. From the mid-1970s, however, a number of grave strategic mistakes - born of its hide-bound bureaucracy, narrow view of the consumer market and inability to turn innovations into products quickly - gave competitors a chance to grab big chunks of its business.

Centenary celebrations in 1980 were marred by mounting evidence of its vulnerability to competition, particularly from the Japanese, as the value of the dollar soared. Kodak was hit equally hard abroad, where it derived half its sales. It rapidly surrendered more than 10 per cent of the US film market to Fuji Photo Film, which offered new products such as high speed colour negatives and lower prices, while another 10 per cent fell to other manufacturers.

All told, the high dollar cost it some $3.5bn in pre-tax profits over five years. "It was like taking a 15 per cent price cut for five years in a row," said Mr Colby Chandler who succeeded Mr Fallon as chairman and chief executive.

Sales stagnated at around $10bn a year 1980-85 and net profits dwindled from $1.2bn to



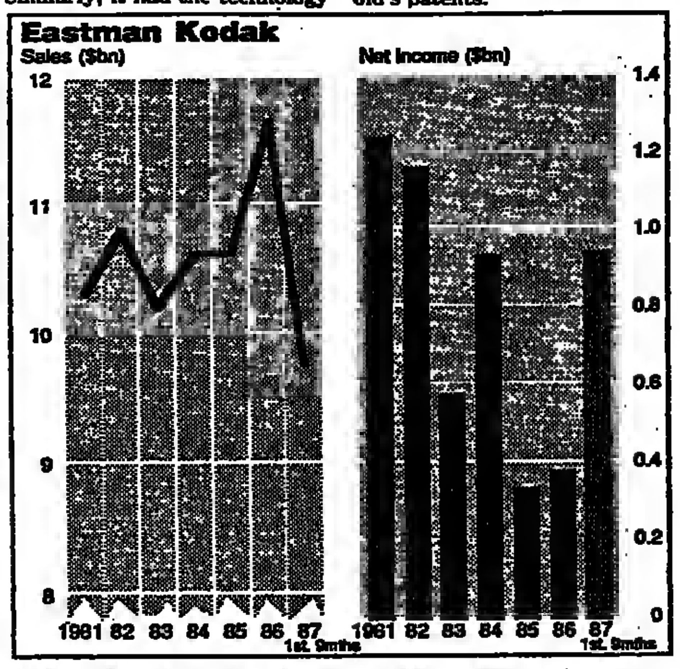
Colby Chandler: Kodak Chairman and chief executive

$332m. Return on equity slumped from 23.7 per cent in the heydays of the early 1970s to 5.1 per cent, reducing the company to the embarrassing status of a potential takeover target.

The dismal performance deeply damaged the company's public esteem. Ranked by Fortune magazine as late as 1983 as one of the best managed companies in the US, it plunged over the next few years to an ignominious 70th place, well below even some of the biggest dogs of the rust-belt. "What we see, is a blue chip company floating dead in the water," a Wall Street analyst said at the company's nadir.

In a real sense, its failure sprang from the bureaucratic and paternalistic corporate culture, created by its founder George Eastman, which had ensured its success in a vastly different era of business. Having dominated photography from the start, Kodak assumed the world would always owe it a living. It did not know what competition meant, let alone how to respond. Engineers would tinker for years to develop the perfect product, only to find competitors entrenched by the time Kodak deigned to offer its product to the public. "We believed in technical perfection rather than market timing," a senior executive said.

Thus, for example, it spent 12 years developing a reply to Xerox's photocopiers, discarding adequate versions along the way which would have got it into the market years earlier. Kodak failed to capitalise in marketing terms on the superior quality of its final version, allowing Xerox to catch up. Similarly, it had the technology as early as the mid-1970s to make video casette recorders but failed to do so. "They had a $19.95 mentality of selling amateur cameras," an analyst said later. "They couldn't believe there could be a market for a $500 consumer product."



Kodak's world finally began to crumble when it lost touch with amateur photographers, the backbone of its business from day one. The cracks started in 1969 when it abandoned production of 35mm cameras, believing they would never be mass products. Searching instead for a 1980s successor to the Instamatic, its big hit of the 1960s and early 1970s, it finally came up in 1982 with the Disc camera. A technological triumph of miniaturisation, it was, however, too little too late. Picture quality was poor compared to that of 35mm cameras developed by the Japanese and snapped up by consumers. Disc sales were disastrous.

The gap widened through the 1980s as the Japanese turned to high technology to make 35mm cameras as compact and fool proof as the Instamatics of a decade earlier but with vastly superior picture quality. Kodak also badly mis-fired on instant photography, taking more than a decade to launch its first reply to Polaroid. It was almost a kindness to Kodak when the US Supreme Court ruled in 1986 it must abandon the field because it had infringed Polaroid's patents.

It also missed the trend to mini-labs, the high-speed self-contained developing and printing machines which allowed corner stores, entrepreneurs and retailers to steal a large part of photofinishing. As the established laboratories fought back by using lower priced supplies, Kodak lost a lot of its paper and chemical sales. Professional photographers were even more unhappy than amateurs, complaining that Kodak had surrendered the technological lead on colour film to Fuji and black and white film to Ilford. Moreover, they said its quality was slipping badly.

Kodak suffered a final ignominy when an airship emblazoned with the Fuji logo floated over the 1984 Los Angeles Olympics. The Japanese company had easily out-bid Kodak's paltry offer of $1m for sponsorship rights. "They were so arrogant. They thought they had a lock on it," said Mr Peter Ueberroth who organised the games.

Kodak responded somewhat disdainfully to the rapid erosion of its business through the early 1980s, deciding that the long-term future of photography lay in electronic rather than chemical images. But efforts in these fast-evolving electronic technologies were severely undermined by the rigid nature of the company. Diversification was also stunted by the same factor.

Kodak had paid, for example, $79m in 1981 for Atex, then the leader in computerised newspaper and magazine text editing systems. But its advantage was soon squandered by the bureaucrats. A new management team led by Mr Chandler, a career-long company man who became chairman and chief executive in 1983, finally realised the company had to change its ways radically or, potentially, face total demise.

Their actions rocked Kodak worldwide and in particular its non-unionised US workforce. Bitter feelings ran deep in Rochester which despite its size had remained at heart a company town – es recently as 15 years ago, executives working their secretaries after 5pm had to summou chaperones. "We struck paternalism a fatal blow," a senior executive said over the weekend.

Once a cradle-to-grave company, Kodak cut its worldwide workforce by 11,000, or 8 per cent, in 1983 and a further 3,000, or 10 per cent, in 1986. Rochester suffered many of the job losses.

These labour reductions and other budget measures slashed $500m a year from the company's cost base. Kodak's monolithic structure of buge functional divisions such as manufacturing, research and marketing was swept away as well.

Businesses were divided instead into some 25 profit centres, each with managers made responsible for all but the most major decisions. Corporate middle management ranks were thinned by 15 per cent and senior ranks by 25 per cent. For the first time ever, it hired senior officers from outside such as Mr Paul Baehr, Eastman Pharmaceuticals' general manager who came from Ciba-Geigy, the Swiss drugs group.

The businesses are now grouped in five divisions: photography; commercial informatiou systems with products such as copiers; Eastman Chemicals, a long-standing outgrowth of photography; life sciences, incorporating, for example, Eastman Pharmaceuticals; and diversified technology products such as X-ray, clinical and computer equipment.

Though many heads in the company are still reeling from the pace of change, it appears that the shake up has galvanised the workforce. Productivity increased by 13 per cent last year alone and profits began to takeoff from mid-1986. The new structure has also dramatically improved the speed of delivery and volume of new products. Many, such as a line of colour photocopiers unveiled recently, have been received enthusiastically. In only two years, it brought a successful line of lithium camera batteries to the market as the base of a new battery business.

Importantly, it has also gone back to its product roots in amateur photography. It began by selling under its own label 35mm cameras and other equipment made abroad. Last year it resumed its own US production of 35mm cameras after an 18 year hiatus. These are high technology, fully automatic cameras which constitute a market growing at 25 per cent a year aud in turn stimulating film sales.

Helped by the dollar's steep decline and new products and quality which closely match Fuji's, it has clawed back film market shares at home and abroad. Obsessed by Fuji, Kodak has become shameless about copying its methods. It has also forced a consolidation of the US photofinishing business through an astute series of acquisitions and joint ventures. It now commands some 25 per cent of the market, guaranteeing a huge dedicated demand

Kodak declines to break down sales and profits by narrow segments but does indicate that products related to chemical photography still account for about one-third of its revenues and a higher proportion of profits. Building on that base, which it now believes will endure for years to come, it is renewing its push into related areas such as electronic images.

There is also a clear lineage for pharmaceuticals. Photography begat chemicals begat biotechnology begat drugs. Sterling is potentially a huge boost to its drugs ambitions, providing Kodak has fully assimilated its own new culture.

Although the elephant's body is battered and bruised from the enforced-dancing lessons, the spirit appears to have greatly revived. "The thrill of the bunt has begun to permeate the ranks," Mr Phillip Samper, vice-chairman, said last year. "It is enthusiasm driven by success."

Reorganisation at Lloyds Bank

Mr Michael Riding has been appointed general manager for the newly formed trade finance group within the international banking division of LLOYDS BANK. Ha has recently returned to the UK from Tokyo where he was responsible for Lloyds Bank business in Asia. The other principal executives appointed are: In bank relations, **Mr Peter Emmerson** is general manager and **Mr Peter Brunsden**, chief manager, responsible for business development with correspondent banks. At trade finance and services, **Mr Lewis Evans** is assistant general manager, **Mr Malcolm Hammond** chief manager, responsible for business in the UK, **Mr Michael Balding**, chief manager for product and systems development, and **Mr Keith Higley**, chief manager, responsible for overseas circuits and branches. **Mr Bob Ross** has become chief manager, responsible for the provision of international services from centres in London, Birmingham and the regional international branches. In specialised trade services **Mr Alan Linger** has been made chief manager, barter and counter-trade and **Mr Robert Prince** has become managing director Lloyds Export and Project Finance.

★

Mr Geoff Truran has been eppointed director/ general manager of NATIONAL PROFILES.

★

Mr Melvin Homewood has been appointed group financial director of UNITED GUARANTEE. He was financial controller.

★

Mr Alan Crisp has been appointed a director of INTER-ALLIANZ LONDON, a wholly-owned subsidiary of Interallianz Bank Zurich. He was chairman of Atlantic Metropolitan Holdings (UK).

★

In addition to his responsibilities as executive chairman of Laing Properties, **Mr Brian Chilver** has become chairman of LAING PROPERTIES (U.K.). **Mr Alec Edge, Mr Neil Hardiman, Mr Jeffrey Hawkes, Mr Paul Hibberd, Mr Stephen Kerridge, Mr Bob Pritchard** and **Mr Harry Thompson** become directors. **Mr Stephen Mason** has joined the board as investment director responsible for new acquisitions. He was with Peachey Properties in a similar capacity.

★

VAUXHALL MOTORS has appointed **Mr John C. Barber** as manufacturing director, Luton plant, and **Mr Alan J. Jones** as manufacturing director, Ellesmere Port plant.

★

Mr James McCormack has been appointed director of legal services for ALFRED MCALPINE. He was divisional legal adviser, construction division, with Tarmac.

★

Mr Brian Stevens, who resigned as managing director of Cripplegate Printing Company when the St.Ives Group took control, has joined the main board of LONDON PRINT & DESIGN.

★

Mr David Bolton has been appointed finance director of WEAVER CONSTRUCTION, and will hold a similar position with group subsidiaries. He was company secretary.

★

FENCHURCH INSURANCE BROKERS has appointed **Mr David Way** as a director.

★

Mr George M. Gunson, managing director of Euro-Latinamerican Bank, has been appointed chairman of the ASSOCIATION OF BRITISH CONSORTIUM BANKS.

★

Mr Ronald C. Wood has been appointed finance director of CARR'S MILLING INDUSTRIES, following the retirement of Mr Sydney Smith.

★

Mr Brian Turpin has been appointed managing director of BC SANITAN. He was managing director of Gaggenau.

★

Mr Alan Edmonds has been appointed financial controller and company secretary at BP NUTRITION (UK). He will also be responsible for the company computer systems. Mr Edmonds was north west regional accountant for Dalgety Agriculture at Preston.

★

Mr Richard Farrington, company secretary and financial controller, has been appointed to the board of ALVIN MORRIS, part of Hickson Distributors.

★

Mr Bernard J. Adkins has beeu appointed treasurer of RUSH & TOMPKINS GROUP, and finance director of contractor developer Rush & Tompkins. He joined from British Underwater Engineering, where he was finance director. Mr David Reed, a director of Rush & Tompkins' property division, bas been appointed development director of Rush & Tompkins.

Privatising ELECTRICITY

Myths of the US power industry

WHAT LESSONS about electricity privatisation can the British Government learn from the experience of the US power industry? The American industry operates in a more fragmented and competitive framework than the state-owned electricity supply industry in Britain.

Many commentators have looked to the US as a possible model for the structural and regulatory regime which Mr Cecil Parkinson, the Energy Secretary, will announce as part of his *privatisation* proposals.

It is important, therefore, that everyone draws the right lessons from American experience. To date, not many have done so. A number of myths are perpetuated about the industry's experience:

MYTH ONE: US experience supports the case for de-integrating power systems (splitting generation from transmission and distribution).

Although it is more fragmented and competitive than the British model, the US industry remains essentially, a vertically integrated one. In other words, most of the generating capacity is owned by utilities which also own transmission facilities and supply electricity at the retail level (through what are, de facto, exclusive retail franchises). Even in those cases where utilities do not own all the elements in the chain from generator to retailer, long-term contracts between the parties accomplish the vertical integration process in practice.

A number of technical and economic factors – operational efficiencies; the economics of planning and building expensive long-lived plants; the legal obligation on *utilities to meet their consumers'* energy needs – militate in favour of integrated systems and against de-integration.

There is no serious consideration in the US of separating the transmission system *from both generation and distribution*, as has apparently been suggested by some commentators in Britain.

MYTH TWO: There is widespread competition in the American industry and it has produced substantial benefits.

US experience with competition is growing, but it is still very limited. Competition has typically been limited to relatively small and short-term transactions between utilities. In some regions, a temporary surplus of generating capacity has led to some more lasting competition in the sale of capacity to other utilities with greater capacity needs or higher fuel costs. There has also been some switching *of* wholesale suppliers by small distribution-only systems. A market for buying and selling surplus capacity over the short term (five to seven years) has been developed successfully but a *market for longer* term sales or sales of capacity constructed to be offered to other firms have yet to materialise in any significant form.

One undeniable recent development has been the increased reliance of otherwise vertically integrated utilities on cogeneration and power generated by small independent producers. To date the amount of electricity supplied on this basis has in most regions been limited, and most of it has been at prices determined by state regulatory commissions rather than by the market. The idea of allowing competitive bidding by independent producers, while promising conceptually, has yet to be tried *on any large scale.*

Because of the limited nature of the competition, difficult questions about the effect of competition on long-term security of supply, the cost of integrating *independent producers into the* utility system and the efficiency of the resource allocation under this regime have still to be answered. It is clear that allowing independent generators entry to the system can be very wasteful if the terms of access are incorrectly set, for example by obliging utilities to pay too much for power supplied.

MYTH THREE: Movements of power over the transmission systems provide significant competition in the US.

Many U.S. utilities provide some transmission services for others, a practice known as "wheeling," yet the great bulk of generation is transmitted over transmission systems owned and operated *by the generator* itself. *Most* transmission systems were designed to provide reliability of supply, not to support generation by other utilities or trading of power. There has been no attempt in the US to *use transmission systems as* common carriers to meet long-term capacity requirements through independent producers, a practice which some want to see introduced in Britain.

Some of the current pressures for expanded wheeling in the US are coming from customers rather than other utilities. A great deal of this pressure results from regulatory distortions which set prices on the basis of average embedded costs, not marginal costs. Customers wishing to shop among average cost-based tariffs, or desiring to switch from an average cost tariff of one utility to a distress sale by another utility with temporary excess capacity, *are seeking* least-price and not necessarily least-cost service. If regulatory commissions properly refuse to promote cost-increasing or cost-shifting customer wheeling, and as excess capacity is *worked* off, *the pressure for* customer wheeling will rapidly dissipate.

MYTH FOUR: Power pools in the US are a model for competition.

Power pools are voluntery groups of independent utilities whose grids are interconnected. They are essentially co-operative undertakings in which the utilities share their reserve generating capacity to achieve greater reliability at lower cost. The more formalised pools also provide for co-ordinated planning and construction of new capacity, as well as for economic dispatch, that is to say the treatment of all generating units as if they were operated by a single utility. All these activities tend to be co-operative rather than strictly competitive. When generating capacity exceeds the needs of the member utilities, there may be temporary competition to sell the rights to capacity to other utilities inside or outside the pools. This is, however, only a short-run aberration in a long-term co-operative relationship.

In summary therefore, the US electricity industry is by no means the model of competition in electricity that it is claimed to be. It is certainly not a blueprint for radical change. Structural change has been much more evolutionary than revolutionary, and though its extent has recently increased, competition has played a very limited role. The single most important lesson from the US experience may be that independent producers can be encouraged to function co-operatively to achieve mutual goals – yet do so without losing the benefits of competition.

Richard Schmalansee

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Counsellor of despair

Andrew Gowers talks to Meron Benvenisti, Israeli iconoclast

MERON Benvenisti exudes the complacency of a prophet who is being inexorably proved right.

For years, the Israeli former deputy mayor of Jerusalem has been warning that Israel's occupation of the West Bank and Gaza Strip has assumed a permanent character, and that this is a recipe for serious intercommunal strife between Arabs and Jews.

Since 1982, he has been building up and publishing a forensically detailed record of the economic and political causes of Palestinian frustration in the occupied territories, known as the West Bank Data Base Project. His views are widely quoted by foreign journalists, consulted by foreign politicians visiting Israel, sometimes vigorously disputed by foreign academics, and studiously ignored by the Israeli political establishment, right and left.

But now, after six weeks of often violent disturbances pitting Arab youths against Israeli troops, what is sometimes described in Israel as "the Benvenisti heresy" has acquired a disturbing resonance.

The surprising thing to Benvenisti, a burly, tousled, rugby forward of a man, is that the recent unrest took the world by surprise. "What's happening now is merely an intensification of everything that was happening before. It bears all the hallmarks of a civil war between two cohesive national groups over the same territory. It confirms that a struggle which started out under the British as intercommunal strife and expanded in 1948 into an inter-state conflict is now receding back to its original core."

Benvenisti's basic argument is this: the time has long passed when Israel's 20-year-old occupation of the West Bank and Gaza could be regarded as a temporary affair; the so-called "green line" dividing Israel proper from the territories has lost much of its relevance as the inhabitants of these areas have been sucked into the Israeli system; in short, Israel's current policy towards them is one of annexation in all but name.

These he sees as self-evident truths which neither the Israelis nor the Palestinian leadership nor the international community are prepared to admit – partly because in doing so, all the parties would in effect be conceding that the problem is fundamentally insoluble. They would be saying that trouble between Arabs and Jews is endemic, that the problem cannot be parcelled neatly into consideration of the future of the West Bank and Gaza, but that it is about the political rights of two rival nationalisms in Palestine as a whole.

"The green line is a psychological barrier mentioned only

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by the Israeli left and by the international community," he says. "If you recreate the whole thing you recreate the Palestine question, which begs a whole lot of other *questions about the nature of* the Jewish state and so forth. Once you admit that it's no longer the disposition of the territories that is the problem but an endemic, internally-generated ethnic strife in the entire area, then it becomes so messy."

Benvenisti knows whereof he speaks. A medieval historian by training, he observed at first hand the "irreversible" Israeli annexation of Jerusalem, which remains a supremely important national and religious symbol for Arabs and Jews. After leaving the municipal government he wrote a PhD thesis comparing Jerusalem with Belfast. He cites several elements in the recent unrest to support his argument:

● The apparent spontaneity of the demonstrations, and the fact that they seem to bear little relation to any recognisable Middle East "peace process" based on the hallowed principle of territory for peace.

Benvenisti believes the stone-throwing is directed almost as much at the impotence of the Arab and Palestinian establishment as at the occupying forces themselves. "They are saying to (PLO chief Yassir) Arafat: 'Look, you are dead, except you don't know it. After 20 years you are still a symbol of Palestinian nationalism, but we have to take our destiny into our own hands.'"

● The position of the 750,000 Israeli Arabs, who he says have begun to find common cause with their brethren in the occupied territories – as shown by the support they gave to a solidarity strike in December.

● The sterility of the debate among mainstream Israeli politicians resulting from the disturbances. "Within Israel, the occupation is still seen as vital from both the political and security points of view," he says. "The costs are negligible."

If one accepts these points, then a number of worrying considerations follow.

Benvenisti argues that by pursuing the idea of an international conference to settle the territorial issue, the world is barking up an illusory tree. The conference, were it ever to take place, is seen by the Israelis as a prelude to direct talks with Jordan; it would inevitably focus on some degree of Israeli withdrawal from the territories, and the replacement of Israeli rule with Palestinian autonomy in association with Jordan.

It is hard to see how this "solution" could begin to address the Palestinians' basic aspirations, he says. For one thing, the West Bankers do not have happy memories of Jordanian rule before 1967. The Palestinians have not forgotten King Hussein's ruthless suppression of the PLO when it seemed to be trying to establish a state-within-a-state in 1970. In effect, says Benvenisti, the much-touted "Jordanian option" would simply mean substituting Jordanian security forces for Israeli ones. "And without the Jordanian option, Mr (Shimon) Peres (the Labour leader) and his colleagues stand naked, with no option but to speak to Mr Arafat if they want to negotiate at all."

Then there is the problem of the PLO, which in addition to representing the inhabitants of the territories, speaks on behalf of the 2.9m diaspora Palestinians. Despite all Mr Arafat's recent signs of flexibility in recognising Israel and establishing a Palestinian "mini-state" in the West Bank and Gaza, Benvenisti is among the numerous observers who believe that the PLO will never be able to accept this as a definitive settlement since it would in effect be denying that its scattered supporters could ever return to their original homeland.

●PERSONAL FILE

1934: Born.
1967-71: First Israeli administrator of Old City of Jerusalem after it was seized by Israel in Six-Day War.
1971: Deputy mayor of Jerusalem.
1978: Resigned in disillusionment.
1979: Harvard University, US.
1982: Established West Bank Data Base Project collating information on the occupied territories.

In any case, the Israeli refusal to talk to the PLO seems unshakable.

"There's nothing wrong with the international conference in theory," says Benvenisti. "The only problem is, if it is a theoretical exercise, what you're really doing is wasting more time on an elusive objective, while paradoxically legitimising the status quo. By implying that the Israeli occupation is temporary, you create a shield of respectability for the Israelis to fend off talk of political rights for the Palestinians within the system."

Ideally, the international community should be putting the issue to Israel in these stark terms: either annexe the territories, which would entail consideration of Arabs' political rights, or withdraw.

More basically, he says, what is needed is a return to the drawing board, with the aim of redefining the nature of the conflict. "We need to re-pose the fundamental questions which faced the Peel Commission." This body was appointed by the British Government in 1936 to investigate unrest in Palestine between Arabs and Jews; it had to choose between recommending the creation of a unitary state in Palestine in which Arabs and Jews would share power, and partition of the area into two states. It recommended the latter, as did the UN in 1947.

If it is true that the recent unrest is a new version of that old internally-generated conflict, then the potential answers also remain the same: either partition or power-sharing, or a combination of the two. Of these, Benvenisti agrees that partition remains the more attractive option, since it would go some way towards answering the Palestinians' national aspirations. Power-sharing would almost automatically call into question the nature of the Jewish state, and has rarely worked in circumstances of ethnic or sectarian strife elsewhere, whether in Beirut or Belfast.

The important points, to his mind, are that either course would have to be decided *within* Israel and the occupied territories, and that as things stand there is little chance of this happening. The alternative is the status quo, which he describes as "majority dictatorship", or something a good deal worse, such as the sort of options sometimes talked about on the extreme right of Israeli politics (for example, the wholesale expulsion of Arabs to Jordan).

All this sounds very much like a counsel of despair. Indeed, by expressing these views, Benvenisti has enraged Israeli moderates who accept the need for negotiations on territory for peace, such as Abba Eban, the widely-respected former Foreign Minister. Critics say that by painting such a gloomy scenario, Benvenisti is in a way making it more likely to happen.

But he is quite unrepentant. "Look, I recognise that I am totally isolated, ostracised by right and left. I don't represent anybody. I'm simply trying to say to people: don't build up false hopes. Some say it is immoral to diagnose without a prescription. I disagree. Diagnosis in itself is powerful enough."

Benvenisti also denies he is the out-and-out pessimist he sometimes seems. He pins what hopes he has on the possibility that the Arabs will eventually abandon the forlorn struggle to set up a separate entity and pose a real challenge for Israel which its leaders will not be able to dismiss.

A manifest injustice to prisoners

ADMINISTRATIVE CONVENIENCE and individual justice are often not on speaking terms. When they do engage in unresolved dispute, one expects the courts to give priority to justice and for the executive arm of government to claim, in the public interest, precedence for smooth and unruffled administration.

If, on careful analysis, the public interest ought ultimately to prevail, it is for the legislature to amend the decisions of the courts. When courts play the role of legislator in favour of the administrator it is time that the public woke up to the perceptible shift of political power away from parliament.

In our prison system there is an elaborate code for dealing with disciplinary offences committed by prisoners. The most common offence is assault on a prison officer. For all the more serious disciplinary offences a board of visitors inquires into any disciplinary charge brought by prison staff, and is empowered to "award" penalties. The most severe "award" is loss of remission which can mean that a prisoner's prison sentence will be extended beyond what he would otherwise have to serve. Loss of remission is tantamount to an additional period of imprisonment.

Until recently proceedings before boards of visitors, who are magistrates and other suitable persons appointed by the Home Secretary to act as the public's watchdog in prisons as well as performing the disciplinary function, have been conducted without the aid of lawyers. Often the procedure adopted by the boards fell short of a desired standard of justice, and prisoners began frequently to complain.

The courts, on their own initiative and without any *direction from parliament*, began to exercise a supervisory role in ensuring that prisoners facing disciplinary charges were fairly treated. One of the issues raised was the question of the prisoner's right to legal representation at the hearing before the board of visitors.

Three years ago the High Court ruled that a prisoner had no right to be legally represented, but the judges stated that boards have a discretion whether to grant representation. It was confidently expected that in all serious cases, prisoners would be given the benefit of legal assistance in *conducting their defence.*

The confidence was misplaced. Much to the prison administrators' relief, increasingly few prisoners are applying to the Boards – fewer than 15 per cent – and even fewer – less than 3 per cent – are being allowed legal representation.

Since prisoners are legally unprotected one might have supposed that the courts would have taken note of

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the prevailing situation in fact and sought to redress the position by way of legal rule. That the courts are oblivious of the manifest injustice to prisoners who are left to defend themselves is only too apparent from two House of Lords appeals from Northern Ireland, decided last week.*

*One of the prisoners serv*ing life imprisonment was found guilty of throwing a mug of tea in a prison officer's face and hitting him with a fist and boot. He was "awarded" 60 days' loss of privileges and 30 days' cellular confinement.

The other prisoner, serving sentences totalling 24 years' imprisonment, has assaulted two prison officers; one of them suffered severe facial injuries and the other was kicked on the leg. For the former offence the prisoner lost 100 days of remission and was ordered to undergo 30 days' cellular confinement. For the latter offence he was *given* 20 days' cellular confinement and 30 days' loss of remission, suspended for six months.

All these are substantial penalties. One might have expected that lawyers would be necessary for defending the two prisoners.

In their unsuccessful appeals to the courts the two prisoners argued that they had a right to legal representation, like any other citizen in the outside world who was charged with a criminal offence. While the House of Lords recognised that a prisoner does not automatically lose any civil rights unless specifically taken away by the law, they declined to accept the prisoners' claim.

The Law Lords were clearly impressed by the administrative inconvenience of conferring the benefit of legal assistance to prisoners in, for example, "a case of a simple assault where no question of law arises, and where the prisoner charged is capable of presenting his own case."

No doubt many citizens facing an assault charge before a magistrates court is also capable of presenting his own case, but at least, if he does so, he will have chosen not to exercise his fundamental right to employ an advocate. A prisoner needs that choice no less – and probably more so.

The justification of the Law Lords for denying the prisoner's right to legal representation is nakedly revealed: "to hold otherwise would result in wholly unnecessary delays in many cases, to the detriment of all concerned including the prisoner charged, and to the wholly unnecessary waste of time and money, contrary to the public interest." Policy, not law, has dictated the courts' preference for administrative convenience.

**R v Board of Visitors of HM Prison, the Maze, ex parte Hone and McCartan.*

MIDLAND CROCKER

David Lascelles tells the story of a banking disaster

How Midland was struck by a Californian earthquake

THERE IS a saying in the Midland Bank – usually uttered with a wry smile and even a touch of pride – that its ability to extricate itself from a mess is matched only by its ability to get into one in the first place. A useful combination of qualities, indeed, except that the first is of little value without the second.

Midland is better qualified than most to pass this judgment on itself. Its purchase of Crocker National Bank in California in 1980 set a standard for corporate disasters which remains unsurpassed to this day.

No company has ever taken a sword to itself and plunged it so deep. No bank has strained the fragile props of the financial system in not one country, but two. And few people in the business world have suffered the anguish of the small band of men at the head of Midland who spent three years fighting the financial equivalent of a nuclear explosion with no experience to guide them.

It took one of them to an early grave, ended the banking career of another, and left the rest scarred for life.

True, Midland has since proved its true quality. It did, in the end, extricate itself from Crocker; and today it flourishes once more under the successor management. The marble halls of its headquarters at Poultry in the City – a magnificent Lutyens pile – might never have echoed to the dreaded word "Crocker".

In the closing weeks of last year the final chapter of the Crocker saga was written when Midland found a new partner in the Hongkong and Shanghai Bank. But it has lost the better part of a decade in the international banking race, its coffers are a billion pounds the poorer, and its pride bears the bruise of dropping out of the ranks of the ten biggest banks in the world.

Midland is a fierce bank: fiercely traditional, fiercely ambitious. It points to its roots in the British heartland, and it has never forgotten that it was, between the wars, the biggest bank the world had ever seen. In a famous incident in the 1933 Depression, it even helped out Citibank, the largest bank in America.

But ten years ago, when the Crocker story really starts, Midland was a divided kingdom. The bank had, literally, split in two under a pair of strong-willed senior managers, Stuart Graham and Malcolm Wilcox. For seven years these "terrible twins" ran their rival baronies, one for domestic and one for international.

Midland was also beginning to realise that its international banking strategy was outdated. It had long believed that a bank should conduct its overseas business through correspondent banks rather than opening up its own branches, and this had left it far behind, particularly in North America.

In the late 1970s, when all the other big UK clearers had bought American banks, Midland was still advertising its services in the US using the slogan "We deliver" – but giving a London telephone number.

The job of forging a new global strategy fell to Malcolm Wilcox, the terrible twin in charge of international. Wilcox was a complex man. He had smooth white hair and horn-rimmed spectacles, and liked to grab his binoculars and go bird-watching. He was sharp and pedantic, he rejected documents that were stapled crookedly, and he was better with the written than the spoken word.

But he had the Midland fierceness. His ambition was for Midland "to be, and to be seen to be, a major international bank," and he applied himself to that task with a vigour rarely seen in the clearing bank world.

One of his early proposals was for Midland to merge with Standard Chartered, the London-based international bank which had just bought Union Bank in California. But this was vetoed by Lord Armstrong, the chairman, because of Standard's strong connections with South Africa.

So instead, Midland determined to make its own acquisition in the US, and identified California, Texas and Illinois as the most suitable states.

The question of whether Midland should be making a US acquisition at all seems to have got little attention. "It was the golden place where all the excitement was," recalls Sir Donald Barron, the canny Scot who was then the chairman of Rowntree Mackintosh and a non-executive director of Midland, and who later became chairman. "You were considered a laggard if you weren't there."

Wilcox's first effort to get into the US misfired. Midland bid $520m for Walter Heller, a Chicago-based finance house, but decided to cancel the deal after an investigation of Heller's books showed that it had $60m of bad loans.

The failure of the talks was especially disappointing for Wilcox's right-hand man, Geoffrey Taylor, who had negotiated the deal and had ambitions to succeed to the top job. Ironically, Midland might have done better to go ahead with this deal, for though Fuji Bank of Japan later bought Heller and had to write off millions of dollars, this was only a fraction of the losses Midland eventually suffered through Crocker.

By now, though, Midland's window of opportunity in the US was closing. Alarmed by the wave of foreign bank acquisitions, Congress in 1980 slapped a moratorium on further deals while it considered permanent legislation. Wilcox realised with a sense of mounting desperation that Midland was approaching the point of now or never.

For several years, Wilcox had kept up a casual acquaintance with Thomas Wilcox, his namesake who was chairman of the Crocker Bank, the fourth largest bank in California.

Their shared surname drew them together, and they met up whenever they passed through each other's cities, or found themselves at the frequent international gatherings which mark senior bankers' lives. Their wives met too.

It was a relationship which, even now, puzzles those who knew both men. In one respect only were they alike: they were immensely ambitious for themselves and the institutions they represented. But in all others they were quite different.

Tom Wilcox is a compact, gravelly voiced man of Irish stock who spent most of his career at Citibank. Tough, remorseless, and crackling with energy, he is the sort of person who can charm or terrorise at will. "Atomic Tommy" took over the management of Crocker in 1974 and built it up into a leading West Coast bank – the "Morgan Guaranty of the West" as it liked to style itself in reference to New York's classiest bank. It had all the best Californian clients on its books, and its record of earnings growth was unbroken since Wilcox took over.

The two Wilcoxes had talked about co-operating in the past, and after the Heller breakdown, Malcolm decided to probe further. In early 1980, he sent Taylor to New York to propose a deal. Tom said he would welcome an investment by Midland but he refused to yield any control of his bank to the foreigners.

This was bad news for Midland which wanted to own a majority of the shares. But both sides were already hooked on each other. Tom Wilcox saw the prospect of a capital injection beyond his wildest dreams, and reckoned he could obtain it on terms that would keep Midland interference to a minimum.

Midland saw its US prize within grasp, at last, and Malcolm thought

No bank has strained the fragile props of the financial system in not one country, but two

he could deal with the question of how Midland would control Crocker through his personal rapport with Tom.

But the negotiations were tough. Midland was offering to buy nearly half of Crocker's existing shares at book value of about $50 each, and then inject $500m of fresh capital by buying new shares at $75 each. Crocker's shares were trading at only $36 at the time, so the second half of the offer was quite generous.

Tom Wilcox accepted the first half, but he demanded $90 for the new shares on the basis of Crocker's fast-rising profit prospects and the value of two smart corporate offices which it was building in San Francisco and Los Angeles.

The bargaining became so heated that Felix Rohatyn, the veteran merchant banker from Lazards who was representing Midland, almost came to blows with Tom, and the talks were broken off.

Despair set in again at Poultry at what seemed to be yet another major setback. But the Wilcox-to-Wilcox line stayed open, talks were rejoined, and eventually a deal was struck.

Midland agreed to pay $595m for a 51 per cent stake (including $270m of new money) and then add $225m over three years by buying the new shares at $90 to bring it up to 57 per cent. But it was a deal almost entirely on Tom Wilcox's terms.

It was not to be called a merger or a takeover, but "an alliance". He had forced Midland to grant Crocker "maximum operational autonomy" for five years. He had won two places for Crocker on the Midland board while conceding only three places on his own, and none at all in his management. And he could dictate the pace at which Midland made its phased investment in Crocker.

The only fallback for Midland was the right to assume control of Crocker if its investment was in "jeopardy", a word so obscure to the negotiators that they actually had to look up its precise meaning in the dictionary.

It was also a deal Midland could barely afford. Its own earnings record had been the weakest of the Big Four UK clearers for years, and its capital resources were being severely strained by all the other acquisitions which Malcolm Wilcox was making to complete his global design.

In 1979-81 Midland bought banks in the US, Australia, France, Switzerland and Germany for a total cost of £1bn, virtually all of which it had to borrow.

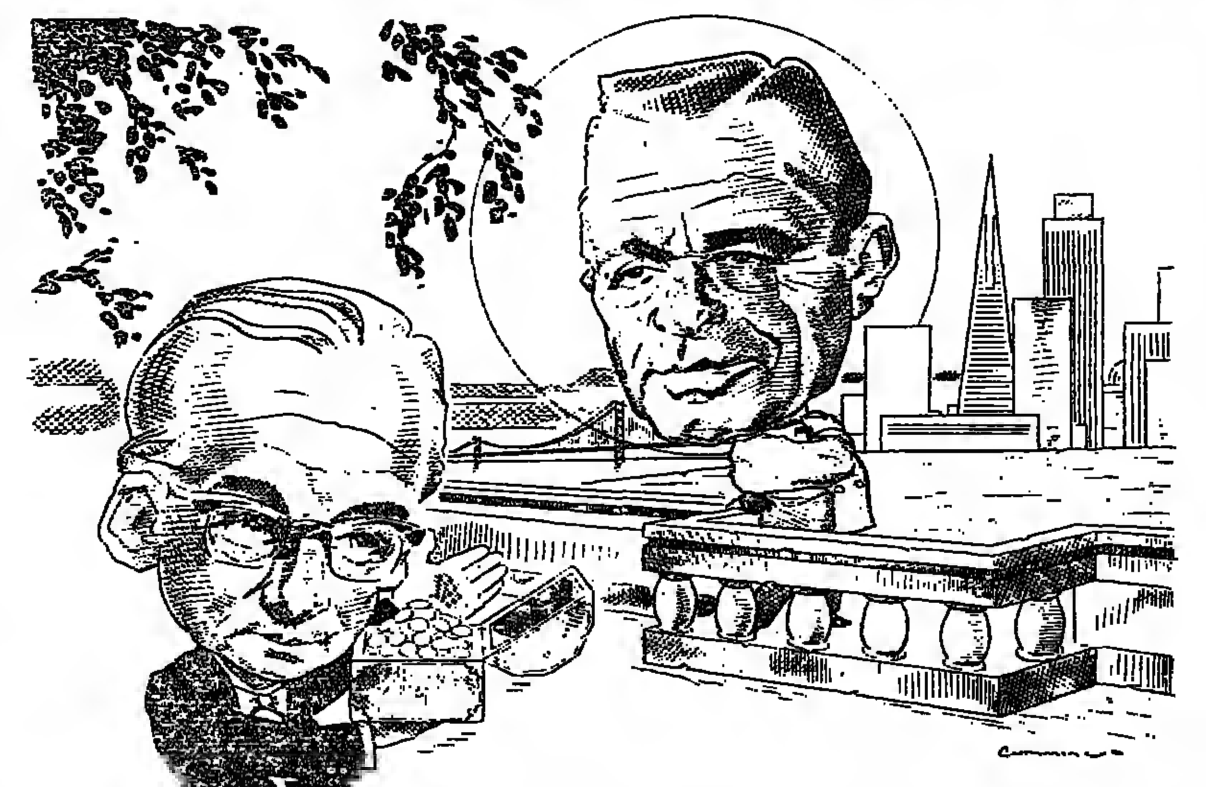
But none of this concerned Midland at the time. The deal was put to Midland's board, which read like a roll-call of British captains of industry, Sir Reay Geddes (Dunlop), Sir Alex Jarratt (Reed International), Sir Jack Callard (British Home Stores), Sir Kenneth Corfield (STC), Sir John Cuckney (Brooke Bond), Sir Trevor Holdsworth (GKN), Sir John Hunter (Swan Hunter), Sir Patrick Meaney (Thomas Tilling) and Lord Watkinson (Cadbury Schweppes).

The board approved the terms after being told that this was Midland's last chance to get into the US.

On announcement, the Crocker deal was hailed as a tremendous coup by the banking community, bank analysts and the Press. True, Midland had not actually been allowed by Wilcox to inspect his loan book.

But Ernst & Whinney, Midland's auditors, had checked out Crocker's accounts and said they were fine; Shearman and Sterling, New York's leading banking lawyers, had OK'd the papers, Midland's investment banking advisers had opined that it was a good deal.

Most remarkable of all, Midland later received a letter from the Comptroller of the Currency, the US government agency which regulates banks, which said that: "The quality of earnings is good and the prospects are favourable...supervision by the management is considered good... the management team is competent...bank policies and procedures are in place and provide a sound foundation for internal controls." Midland was all set.



The deal was announced on Monday, July 15 1980. But it took another 14 months to get official approval at the US end.

This delay, as it turned out, was fatal. Most of the damage was done to Crocker between the moment the champagne corks popped on that warm July day and the final signing on October 15 1981 – in other words, before Midland even had a stake in it.

With hindsight, the ironies of that false honeymoon are only too glaring. The most probing question that was asked by Midland shareholders at their meeting to approve the deal was about the risk of Californian earthquakes (had the question been figurative it would have been spot on).

Midland's annual report had a ten page supplement on Crocker which said the alliance had transformed Midland into "a truly international banking institution" which ranked among the world's top ten banks. Management even portrayed the autonomy deal as a "plus" because Midland did not have the skills or experience to manage Crocker itself.

But there were also early signs of trouble. Midland wanted to place a representative office in the new skyscraper which Crocker was completing in San Francisco. But Tom Wilcox was against the idea. The last thing he wanted was a spy from Poultry watching his every move.

Eventually Midland was told there was "no room" for an office – in a building of 38 storeys.

The three-year phase-in of Midland's $225m investment was also too slow for Tom who was itching to gear up on the new capital and push Crocker up the league tables. US banks can make $20 of loans for every $1 of capital, so Midland's money would allow Crocker to add an immense $10bn of assets to a balance sheet totalling $19bn – increasing it by more than 50 per cent.

Rather than delay expansion until he had actually received the money, Tom began to accelerate Crocker's lending in anticipation of it. By the time Midland received Federal Reserve Board approval for the deal in August 1981, he had already added $1.5bn to Crocker's loan book.

Moreover, he was pressing Midland to accelerate its investment so that he could step up the lending rate even more. Why wait three years, he argued, when US interest rates were soaring to 18 per cent and other Californian banks were running out of loan capacity?

Crocker could command enormously lucrative terms. What's more, Tom told his bemused Midland colleagues, he would be sued by his shareholders if he failed to exploit Midland's promised cash to the full.

To British clearing bankers who dreaded litigation but also failed to grasp that Americans resort to the courts on the slightest pretext, this was terrifying stuff. "At that time we did not quite understand the American mentality," admits Geoffrey Taylor, who was about to become Midland's chief executive.

So Midland agreed to invest its $225m in two parts: the first half straight away, and the second a year later in January 1983.

Crocker went to work. Tom's lieutenants, Hal Dawson and David Brooks, poured resources into the loan book. The sales team was whipped into action, staff were rewarded by the amount of loan business they could drum up; Crocker branches around California competed with each other to see who could lend most. Millions – billions – of dollars were lent to finance real estate, agriculture, businesses, oil companies, credit card holders.

Crocker did, at that time, have a good reputation as a lender, especially in real estate, and Tom Wilcox was one of the best names in California banking.

But there is a limit to the amount of sound lending that can be made at such a breakneck pace, and Crocker's hard-pressed salesmen began to reach further and further downmarket in search of business.

Multi-million dollar Hollywood condominiums with heliports, marinas, golf courses – all began to appear on Crocker's books. Crocker's genuine agricultural lending began to spill over into financing tax-driven speculation in farmland and vineyards. People were being given six-year no-deposit loans to buy cars that could be on the scrap heap within three. Crocker was even pushing out loans to Latin America through its offices in Mexico, Venezuela and Brazil.

In the Golden State, then basking in an economic boom, banks were accustomed to financing extravagant life-styles, but some of Crocker's lending was bizarre even for California.

It lent $4m to a man who wanted to build a power station which ran on vine leaves and cash in on the OPEC oil crisis. He planned to hire thousands of Mexican labourers who would drive round the south Californian vineyards with 10-ton trucks, picking up vine leaves after the grape harvest, and store them in a huge warehouse equipped with sprinklers to prevent them catching fire.

Unfortunately, he started building the plant in the flight path of the local airport, and like too many Crocker-financed wheezes, it collapsed.

Crocker's whole approach to lending was quite different from a British clearer's. Where Midland lent against the security of a business or bricks and mortar, Crocker lent, as many US banks do, against cash flow. So long as the borrower had enough cash coming in to finance the loan, that was OK.

This approach works well when times are good. But when – as was about to happen in California – the whole economy slides into recession, cash flow dries up and everything comes down with a thump.

But little of this was evident to Midland. Its corporate headquarters were half a world away from Crocker, and the only effective line of communication, the Wilcox-Wilcox link, was weakened when Malcolm Wilcox withdrew from an executive role in June 1981 to become a director, his task accomplished.

His move set off a chain of personnel changes which brought Geoffrey Taylor to the chief executive's office. A hardy banker from Yorkshire (a county which has supplied many senior Midland people), Taylor had worked his way to the top from a clerk's job outside Leeds, and had earned an external economics degree from London University. He had wide manage-

Crocker's potential bad loans already exceeded the entire investment Midland intended to make

rial experience in Midland, and was an imposing figure on a platform.

But Taylor hated conflict. This left him poorly equipped to deal with the likes of Tom Wilcox; he was disposed to compromise rather than take the tough decisions.

Although Taylor dealt with Tom Wilcox on a day-to-day basis through the mail and on the phone his closest personal contact with Crocker was as one of Midland's three directors who attended the monthly board meetings. But little of substance was disclosed at these gatherings. There was no detailed discussion of budgets, business plans, targets.

Midland directors who asked for fuller briefings were told by Tom Wilcox that Midland was "just a shareholder" and had no right to any more information than Crocker's other owners, who still had 49 per cent of the stock. "Getting information out of them was like trying to draw teeth," says Taylor, who came to rely heavily on the judgment of other Crocker board members instead.

Some Midland executives were even reduced to reading the international banking newsletters to find out what Crocker was up to.

In 1982 Midland and Crocker set up a co-ordination committee, chaired by Sir Donald Barron, soon after he became chairman, but it only met three times and achieved frustratingly little.

It did, however, add to Sir Donald's growing sense of unease. "It was then that I realised there was no meeting of minds, and that the outcome would be disappointing. The autonomy card was frequently played."

Tom Wilcox refused to smooth Midland's way in the US market because he jealously guarded it for himself. And Taylor was not prepared to hand Crocker any of Midland's business elsewhere.

Even in New York, the two banks could not achieve a link-up. Crocker had an office in Park Avenue, but in 1982 Midland opened up a very much more expensive one only five blocks away in Madison Avenue. Crocker had a good branch in South Korea, yet Midland went to the great trouble and expense of opening one of its own there too.

"The original memorandum of understanding between us said there would be joint planning. But it turned out to be very difficult. Crocker did not even have the rudiments of a planning process," said Taylor.

Poultry had been toying with Unilever-type models to draw Crocker and Midland into a single international group based in two countries.

But Tom would have none of that. If anything, he saw the tail wagging the dog, and planned to send Crocker executives over to Midland in London. Midland did, however, manage to veto a Wilcox plan to buy a bank in Argentina which, in retrospect, was a mercy.

But there was no reason why Midland should have been oblivious to the mounting dangers of Tom Wilcox's lending spree. Crocker's quarterly earnings reports in 1982 contained tell-tale signs.

US banks have to disclose the amount of loans that are "non-performing" – a euphemism for borrowers who have stopped paying interest. Crocker's non-performing loans were rising steadily in 1982 but it refused to take the prudent course of setting aside reserves to meet possible losses, because that would have eaten into earnings.

By the end of 1982, non-performing assets had risen by an alarming 75 per cent to $770m, which meant that Crocker's potential bad loans already exceeded the entire investment that Midland intended to make in the bank.

Yet Crocker actually reduced its loan loss provision from $85m to only $59m and was thus able to show a profit increase for the year as a whole.

Curiously, this caused only a minor stir at Poultry. "We coughed, and we asked for more details," says Taylor. "But Tom Wilcox managed to convince us that they were still in line with his peer group banks, and we accepted this explanation." Ironically, one of Crocker's "peer group" was Bank of America, which was itself heading for trouble at the time.

But Crocker's problems were still not considered serious enough to postpone the second $113m tranche of Midland's investment which went ahead as planned in January 1983, even though the California economy was plainly weakening and several other US banks were running into difficulty.

Sir Donald, by now chairman of Midland, told his shareholders: "After working together for just over a year, through the difficulties of a severe world recession – and the particular problems of the world banking industry – we are clear that the medium and long term benefits of the Crocker alliance will be substantial."

In fact, both Midland's and Crocker's results for 1982 disguised a sharp deterioration in their performance. Sir Donald said Midland's profits "both at the trading and pre-tax levels show an increase compared with the previous years."

And that was true: Midland earned £251m in 1982, up from £232m the year before. But this was only because the group had expanded enormously through the Crocker investment. Measured in terms of the earnings for each of its shares, Midland profits had slumped by nearly 20 per cent.

The main reason for this was the poor profitability of Crocker, which reported profits of $72m, $10m up on the year before, but identical to Crocker's earnings in 1977 when it was half the size. Crocker was pedalling faster and faster, but moving slower and slower.

This was evident to Michael Julien, who was appointed group finance director in January 1983 as part of a move by Barron and Taylor to strengthen Midland's management. Julien, an acute accountant whose skill with figures was to reach almost legendary proportions during the struggle to save Crocker the next year, set about sorting out Midland's muddled reporting systems, and devising plans to buy out the Crocker minorities.

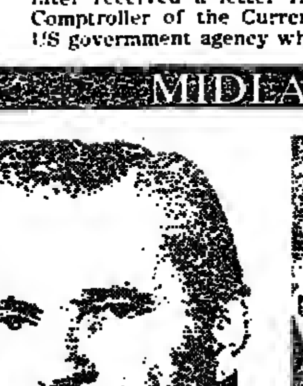
A debate, marked in some quarters by a certain gallows humour, had also begun in Midland over whether to invoke the "jeopardy" clause and cancel Crocker's right to autonomy. But although Midland did just that a year later, it was already too late, in a way: the bad apples were in Crocker's loan book by then, and the rot had begun to spread.

And the stock market could see it. In early 1983, as the bear market was approaching its nadir, Crocker's total market capitalisation had fallen to $575m, well below the $820m Midland had laid out for only 57 per cent of it. When Midland paid its final $113m instalment in January 1983, its paper loss on Crocker was already approaching $500m.

"The only smart thing Crocker ever did was stick Midland with its stock at $90 a share," commented a US bank analyst.

MIDLAND/CROCKER: THE KEY FIGURES

Malcolm Wilcox: the general manager in charge of Midland's belated push into international banking. He identified Crocker and initiated the $820m purchase – the crowning point of his career. He agreed to Crocker's demands for a high degree of autonomy. Soon after the deal turned sour, anxiety over Crocker's soaring losses contributed to his declining health

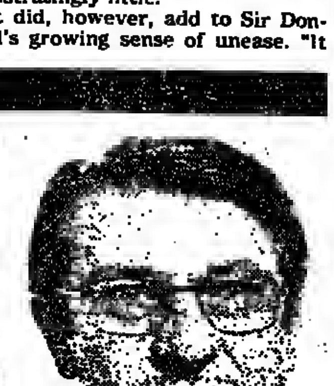


Thomas Wilcox: chairman of Crocker. "Atomic Tommy" accepted Midland's $500m investment but refused to share management control with his major UK shareholder. His drive to make Crocker the top bank of the US West ended in disaster, and the total obliteration of the Crocker name from the Californian banking scene. He still maintains that he and Malcolm Wilcox could have made the deal work if they had had more time

Geoffrey Taylor: helped negotiate the terms of the Crocker deal for Midland, but later, as Midland's chief executive, was in the front line of the crisis. Strove to contain the damage and work out a strategy for dealing with Crocker. But his preference for compromise rather than confrontation made him poorly equipped to deal with the Americans

Sir Donald Barron: former chairman of Rowntree Mackintosh who became non-executive chairman of Midland. Tried to keep Midland on an even keel as Crocker's problems mounted. He thought Midland's directors had not been closely enough involved in the decision to buy Crocker, and tried to bring the board and management closer together during the crisis

Michael Patriarca: the US bank regulator responsible for Crocker. His examiners uncovered Crocker's bad loans and ordered the provisions which plunged it into loss two years in a row. In 1984 Patriarca came to London and gave Midland one month to put together a $325m rescue package for its stricken California subsidiary



John Harris: Midland's high-flying head of international. Volunteered to go out to San Francisco to oversee the repair work on Crocker, but became Midland's hostage to the US regulators. His two-year stint turned into a personal ordeal, and when he finally returned to London, there was no place for him in the Midland top management.

Further articles will follow on Wednesday and Friday

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Shirley Valentine/Vaudeville

Michael Coveney

This invigorating new play by Willy Russell is a most cunning monodrama. Shirley Valentine is a 43-year-old Liverpudlian housewife who has taken to talking to the kitchen wall in order to reaffirm her identity. She's discovered the pleasures of white wine as she peels the potatoes. A trip to Greece is in the offing. Her unseen husband, Joe, is only efing. He gets culture shock if they go to Chester.

I saw the play at the Liverpool Everyman two years ago, and a right royal barney it was too, with Noreen Kershaw touching a collective, tingling, middle-aged, mostly feminine nerve in that Scouse thrust-stage crucible. In the more sedate confines of the Vaudeville, my admiration for the play has in no way abated, but reactions take on a more cultured overtone. Such as: is this delightful performance by Pauline Collins, a display of manicured coarseness and great emotional vitality, a boulevard response to Beckett's *Happy Days*?

Shirley, the Saint Joan of the fitted cupboards, is a Beckettian figure in reverse, elaborating her memories and friendships and curious little adventures before taking the plunge. Not up to her neck, but out of her depth in the warm immeasurable water of the Mediterranean. In the first half she summons up her courage by talking to the audience; there is a really fascinating dynamic in this use of soliloquy. She talks to us and takes comfort from the wall, her more regular companion.

The writing is like an exploded muttering, with commentary on the forgotten daily grind of sex, which is, like Sainsbury's, overrated. You push and shove but still come away with too little at the end. The loss of gleeful self-awareness is borne in by meeting a schoolfriend in the Adelphi Hotel for tea. The friend, who had elocution lessons, is a hooker.

These anecdotes are strung together in a sideways-on, buttonholeing, club comic manner. The form, adopted with ease and great skill by Miss Collins, is both a theatrical device and a celebration of a quirky conversational idiom. Miss Collins seems to summon Shirley's life, the entire fabric of her background and being, as she simultaneously watches it evaporate.

The need to express oneself is aligned, in Shirley's case, with the discovery of the clitoris. She simply never knew it was there, although it was of course there all the time, like penicillin and America. The deep poignancy of this play, which is part of its unstudied frankness, too, is the refreshing naivety with which a woman expresses the inexpressible, but completely recognisable, truth.

The kitchen with projected suggestions of the other dull suburban rooms is replaced after the interval with a scorching blue cyclorama and a wonderful weedy excrescence of rock, designed by Bruno Santini. Life beyond the wall has been tasted. Costas the Greek has kissed her stretchmarks and taken her on a boat trip ("I givn my word of honour I not make try to folk with you.")

In Liverpool, Miss Kershaw was aggressive and vindictive. It was a superb performance. Miss Collins is softer and perhaps more deeply moving. There are times here when you thrill to the sensation of a character expressing herself wholly for the very first time. *Godot* comes to mind, but only much later, in the unforced observation that most of us are killed before we die, pressed to death by the weight of unused life.

There's something else here, too. On arrival in the Greek island hotel, Shirley is sympathetically adopted by a "happy couple." There remains something shocking and unacceptable about a woman alone in a car, on a train, in a restaurant. In that hotel, the idea borders on the subversive.

Russell's fine play, superior in my view to *Educating Rita*, acknowledges these deep atavistic prejudices and bounces off them a thrilling, cheer-raising piece of theatre. You will not see a finer performance than this all year. And the proceedings have been most sensitively organised by the director, Simon Callow.

Lontano/St John's, Smith Square

David Murray

The Lontano programme was basically French, and distinctly bitty. (European Cultural Exchanges were involved, and Air France supports them.) With a few brief pieces, all for a handful of players or less, it seemed a mean of hors d'oeuvres, and, in the empty-echoing spaces of St John's, almost a Barmecide's feast – until we reached a quartet by Betsy Jolas, of which more shortly.

"Basically" French, for Richard Rodney Bennett's Sonata after "Syrinx," the one non-French work here, is not only inspired by Debussy's flute-solo of that name, but so deeply, respectfully beholden to it that Bennett's expansion evaporated in the memory as soon as it ended, leaving only the ineffaceable Debussy behind. The extra *hommage* of using the personnel of Debussy's late trio (flute, viola, harp) has a negative effect, too: the sounds Bennett conjures from them, conventionally pretty, all too obviously miss the Master's brilliant variety and expressive precision.

Lontano's playing was excellent as usual, and also in the Debussy fragments arranged by Boulez as "Chansons de Bilitis" – though it seemed perverse to omit the actual songs. This was the only music that Odaline de la Martinez conducted (probably unnecessarily); the remaining pieces were for one, two and four players.

We had "Inside" for solo viola, and "Shin' Gyo" for soprano and piccolo, from Pascal Dusapin. Sally Beamish scrubbed away expertly at the choppy tremolos and trills of the former, which just about sustained its 11 minutes' worth of short-breathed ritual coughs. "Shin' Gyo," pastiche-Japanese and less than half as long, sets its two lyric voices to crooning and cotwining quite attractively, with little pitch-slides. Of the "violently radical" qualities promised for Dusapin's music in the programme notes we heard nothing; presumably later and bigger pieces disclose them.

The lovely, fluid soprano of young Edwige Bourdy was the best feature of "Shin' Gyo" (not that her partner Ingrid Culliford was a whit inferior), and she returned at last for the 1964 *Quatuor II* of Betsy Jolas, which gave her splendid things to do. Jolas adds the wordless voice (with vowels and consonants used only for colour and articulation) to a string trio, and for a quarter of an hour they discourse with gentle eloquence. The soprano is rather more than *prima inter pares*, since she has not only long lyrical lines but passages of beautifully imagined coloratura – not conventional at all, and very telling; but the strings are not sold short, and the shape of the whole composition attests to as delicate a dramatic sense as the sensibility revealed, page by page, by the writing. A ravishing piece: the opera Miss Jolas is composing will be heard with the keenest expectations.

Architecture/Colin Amery

Talent of last Gothic revivalist

With the Age of Chivalry Exhibition at the Royal Academy firmly locating English Gothic art and architecture on this winter's cultural map, it is timely of the Royal Institute of British Architects to mount an important small exhibition of the work of the last Gothic revivalist, Sir Ninian Comper (1864-1960).

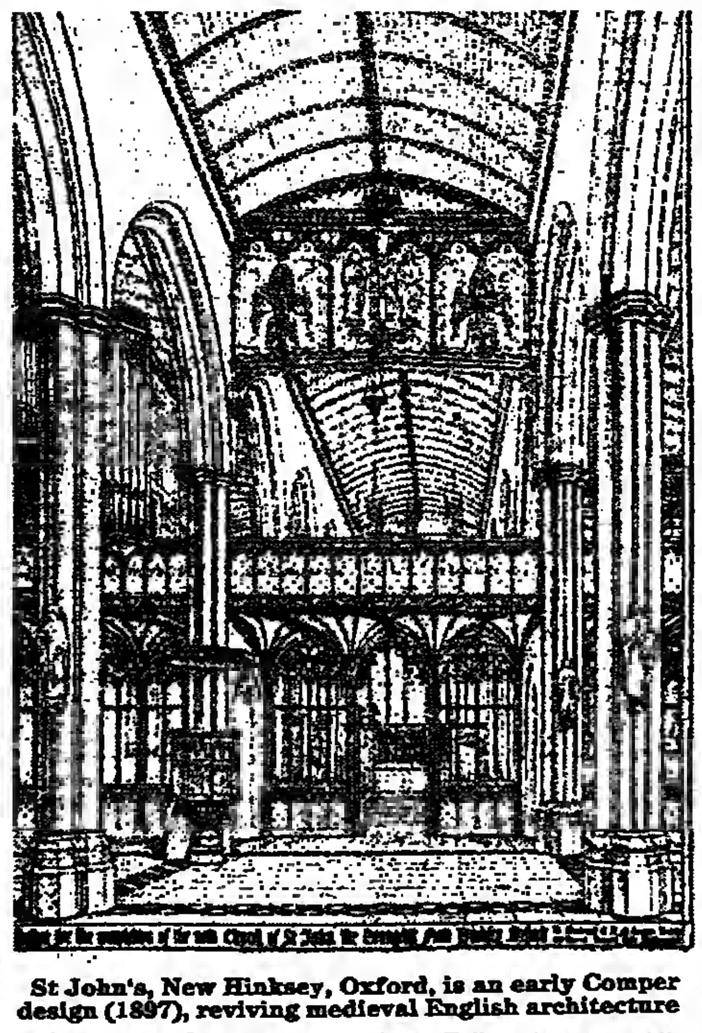
The best kind of exhibition is one that reveals and explores a forgotten or neglected talent. The small but discerning display of drawings and artefacts that fills the tiny Heinz Gallery gives only a hint, but an effective one, of the richness and decorative diversity of this talented and prolific designer.

To understand the importance of Comper's work, a visit to the exhibition should be combined with a visit to one of his churches. One of his best happens to be quite near the RIBA's gallery. St Cyprian in Clarence Gate (1904) is 10 minutes away. It is only inside a church such as the glorious St Mary's Wellingborough that the full extent of Comper's vision can be appreciated.

But the exhibition that Mr Anthony Symondson, the Comper expert and biographer, has put together achieves two vital objectives. It is visually rich and embraces the wide variety of Comper's output. He was first and foremost an architect but he was also a designer of every aspect of church furnishing from painted windows to the fringed vestment.

The work of Comper falls into two periods. From 1888 to 1904 he worked in a manner that was developed from the late medieval, fusing successfully English Perpendicular with Flemish Gothic. From 1904, influenced by a long visit to the Mediterranean, he began to design in a manner that he called "unity by inclusion." He felt that a synthesis of many decorative and architectural traditions was the route to follow to achieve beauty. His later work includes Gothic, Moorish, Byzantine, Arabic, Romanesque, Saracenic and Greek influences. Rich as this mixture may sound, it produced under the intensely sensitive hand of Comper a unity that was original and, at its best, brilliant.

The best work of the first period included restorations of medieval churches including St Wilfrid's, Cantley, in Yorkshire and St Mary's Egmanton in Nottinghamshire and St Peter Mancroft in Norwich. In all his restorations he revived and invented the richness of medieval colour. His colours were based upon research and upon the Flemish panel paintings of the 15th century. St Cyprian in Marylebone is the finest product of this first period of work. It survives as proof of Comper's intentions for the church, which were "to fulfil today's needs in the the most beautiful manner of all." Built in 1903 and virtually unaltered, it is one of London's unsung beauties and still in full parish use.



St John's, New Hinksey, Oxford, is an early Comper design (1897), reviving medieval English architecture

His loyalty to A W N Pugin and medieval ideals was enlarged and altered in the second phase of his work after his extensive European travels. St Mary Wellingborough in Northamptonshire is the apotheosis of the idea of "unity by inclusion" and represents the greatest work of his second phase. The Perpendicular ironstone exterior is deceptively simple. Inside is all fan vaulting, burnished gold screens and a feeling of Spanish richness. This church is a vivid demonstration of the ability of an architect imbued in the traditions of the Christian West to create a rare sense of the beauty of holiness.

The second phase of Comper's work went on until his death – when he was still working at the age of 96 in 1960. The Warrior's Chapel in Westminster Abbey and the Parliamentary War Memorial Window in Westminster Hall are just two public commissions that interrupted a continuous flow of ecclesiastical work. The body of his work is so extensive that there is no published full account.

The small exhibition is rich in both drawings and objects as well as some telling ephemera. The inspiration of the Mediterranean ideal of beauty and its conflation with Gothic Christian ideas certainly created a kind of Anglo-Catholic richness that has enticed many aesthetically inclined clergy into the Anglican fold. There are drawings in the exhibition that show that the danger of effeteness was always lurking around both Comper and his High Church Edwardian clients. But his best work transcends the physical limitations. Many visitors to the exhibition will be delighted by the quality of the textiles and embroideries that are displayed. The influence of the Ballets Russes had a clear effect upon Comper's palette.

For anyone whose enjoyment of architecture is more secular, it may be worth noting the words of Sir Ninian when looking at this small survey of his work: "There will be no wholesomeness for architecture till, abandoning all this talk about self-expression and the expression of the age, we settle down again to real work and the concentration of all our time and energies, and especially of our time, on meeting our real needs by beauty of proportion and detail in whatever style we build."

The one disappointment of the exhibition is that however enjoyable the colour and mixture of mitres, metalwork and morses, it is not possible to come away with a complete sense of what a Comper church feels and looks like in toto. Perhaps this is an impossible task but a slide show here would have helped the public visitor to understand the importance of the totality of each building.

If there is a faintly suffocating air it is soon overcome by the vivid quality of so much of the work. It was inspired of the RIBA Drawings Collection to show this neglected Gothic revivalist at the same time as the riches of the leading Gothic exhibition in Burlington House. Comper's genius deserves a beautifully illustrated book. His conversion from the exclusively Gothic to a realisation of the debt owed by all Christian art to Greece is one that is still valid today. He was once described as the last rose of the summer of the Gothic revival and it is that spirit that this important exhibition sees and presents him. It should not be missed.

Sir Ninian Comper - The Last Gothic Revivalist, RIBA Heinz Gallery, 21 Portman Square, London W1, until February 27.

Another London exhibition that should not be missed by anyone concerned with the future of the Paternoster area around St Paul's Cathedral is a display of the recent competition entries that were so severely criticised by the Prince of Wales. All six entries are by leading architects: Norman Foster; Arata Isosaki; MacCormac, Jamieson, Prichard and Wright; Richard Rogers; Skidmore Owings and Merrill; and Stirling Wilford and Associates. The winning design by Arup Associates is not being shown as it has a long path of development to tread.

This show is to be seen at the 9H Gallery, 26 Cramer Street, London W1, Tuesday to Sunday afternoons only with a late opening until 8pm on Thursdays. The exhibition is sponsored by the Paternoster Consortium.

Twelfth Night/Oldham

Martin Hoyle

Fairbottom Street is not festive. The suburb of Mumps is down in the dumps. John Retallack, director of the cheery Oldham Coliseum, has mounted a new *Twelfth Night* which should be subtitled *What You Would Rather Not*. Aimed at proving that "Shakespeare can be fun," the production seems geared to bouts of corny slapstick to the exclusion of such minor considerations as characterisation, articulateness, lyricism, tenderness or wit.

Thus the Aguecheek/Cesario duel is a boxing match announced as "the needle match of the century" after some interpolated dialogue about Sir Andrew's Shitzu (critical pens waxed facetious on this canine breed last year at the Watford Palace, so I will refrain); there is unbelievably coarse by-play with a long French loaf; and the Feste rattles off his early witticisms with no understanding, as if embarrassed by them.

Never have I seen a production of this play where the Orsina and Viola were so indifferent to each other. Their respective references to attraction come as a shock since Simon Dormandy's lugubrious Duke barely looks at the disguised Viola, and Carie Mendonca's chirpy, commonplace Cesario appears not to care. Miss Mendonca is an intelligent radio and TV comedienne, but her Shakespeare is uttered at the same pace and in the same unvaried intonation throughout. That long oval face with its dark eyes is wasted; the "beautiful scorn" of his contemptuous lip is not brought out by a Cesario who stands woodenly, looking blank, marking time until he/she can deliver the next set piece about willow cabins or patience on a monument flat out front to the audience.

At least Miss Mendonca takes her lines briskly, n contrast to the stately pace of Delia Goddard's Olivia. If this actress can overcome a slight physical and vocal stiffness she will prove stylish, attractive and incisive. Already a musical timbre and an undeniable authority (though young and pretty, this Olivia is certainly mistress of her household) count for much. Striking in black Victorian mourning (this is another 19th century production) she blossoms into the hated yellow – a modern full-skirted summer frock – for the wedding with Sebastian.

Apart from the physical knockabout, which the same director has turned to excellent use in other plays where the subtle interplay of character is less important, the comedy is fairly blank.

Malcolm Hebden's Malvolio initially recalls Cheek by Jowl's Hugh Ross: a pernickety civil servant who comes over as consciously droll at times, whether giving us a knowing wink or a resigned shrug as if to say "that's life, folks!" in some TV sitcom. The most refined touch is a slight hint of Robertson Hare put-upon comicality.

Chris Barnes's Toby Belch is, interestingly, a tough young bruiser who would undoubtedly have beaten Sebastian to a pulp without loyal Antonio's intervention. But fun, hubble, buoyancy are missing. The Aguecheek is corny, coarse-grained and out of pantomime. Fay Blockey's Scots-accented and brisk Maria comes over as a cross between Margo MacDonald and a young Jennie Lee. Besides presenting a mirthless Feste, Crispin Letts strums the guitar and piano to provide some wistfully appealing music. "O mistress mine" is particularly attractive, sung in a faintly Aznavour-type voice.

Kate Buroett's set has the feel of a cocktail terrace in some smart resort; the sudden black-out of the hazy blue seaside to a clap of thunder and sudden storm that opens the play is the liveliest thing in the production.

The Vortex/Glasgow Citizens

Michael Coveney

The Vortex was Noel Coward's first full-length play to be produced, in 1924, and it made his name overnight. London audiences can currently see at the King's Head how, in *Easy Virtue*, another piece from the same period. Coward was a distinctive original from the off. But *The Vortex* is an unwaveringly characteristic and daring piece.

"Shocking" was the word most frequently handled around at the time, and Coward revelled in the career-launching publicity. The great thing about Philip Prowse's revival at the Glasgow Citizens is its absolute modernity. This is achieved by playing the brittle style of the text to tha hilt without a trace of false camp or embarrassment.

Nicky Lancaster (Rupert Everett) has returned homn after a year in Paris and distractedly announces his engagement to Bunty Mainwaring (Yolanda Vasquez). His mother, Florence Lancaster (Maria Aitken), is toying with the latest of her young lovers, a Guards officer called Tom Veryan (Martyn Stanbridge).

The social whirl is one of First Nights, country house parties, cigarettes and cocktails, all the Cowardian trimmings. It is projected with a machine-gun clatter of tart and brittle dialogue, each participant on Mr Prowse's divinely decadent stage of white gauze and sofas rattling off the lines with the relish of actors discovering a preferred conversational method.

But something is up with Nicky. The play is renowned for its "advanced" treatment of an Oedipal mother fixation and drug addiction. Mr Everett, long and limber, presents here a listless, dislocated new European. He plays discordant jazz and Scriabin on the piano. He slurs his speech, is savagely critical of his mother's promiscuity, and bemoans his lack of a true background. Florence, for her part, is clearly "mad about the boy," which song is filched from Coward's subsequent decade.

All this comes pouring out in the extraordinary bedroom scene that ends the play, an encounter between mother and son that is comparable to the closet scene in *Hamlet* and the end of Ibsen's *Ghosts*. Nicky describes them both as swirling around in a vortex of beastliness.

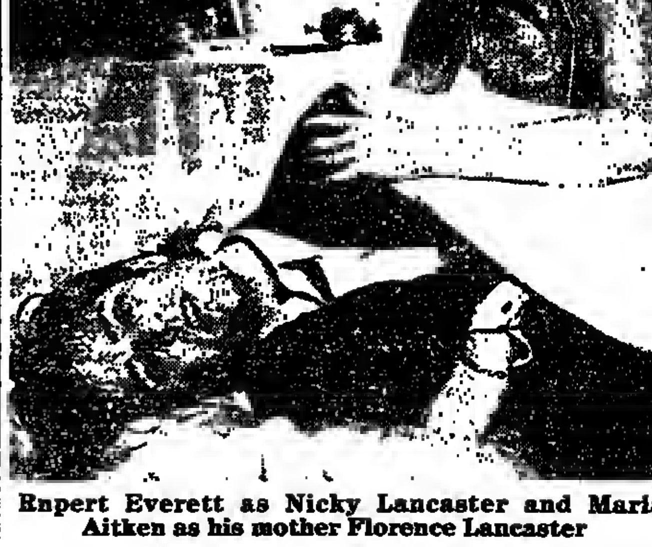
Wheoever I have seen this play – it is not done often, last in 1984 by the Cambridge Theatre Company – I have had to close my eyes and ears a little at its jejune excesses. Not here. Mr Everett's Nicky is stoned and damned from the moment he enters the boudoir, declining the offer of medication ("I'm a little beyond aspirin.")

Miss Aitken also comes up with the best performance of her career. Her Florence is a woman fighting off loneliness and despair with a hectic determination to stay in the swim. Mr Prowse has supplied her with a stunning array of dresses in pink and black silks, satins and taffetas, as well as a plunging backless white gown for the second act country house dance. She rightly sees Florence as both a symptom and a victim of these enervating charades.

Above all, Coward makes a critical theatrical artefact of the world he was so keen to impress and to be part of. As usual, the bores are thrown together and dismissed – Tom and Bunty renew an old acquaintance with each other. Bnt as well as the powdered, effeminate courtier Pawnie (played with sly Gielgudian relish by Tristram Jellinek) and the breathless, scatterbrained diva Clara Hibbert (hilariously done by Fidelis Morgan), Coward also paints a moving picture of a dullish husband and father whose spirit has been broken.

The scene between Nicky and Stephen MacDonald's David Lancaster, neither quite saying what he means, is one of the loveliest passages in this playwright, and is here done to perfection.

Coward described the colours and decorations in the London flat as "on the verge of being original." Mr Prowse covers the stark black walls with paintings redolent of Juan Gris and Kandinsky. There are vases of white flowers everywhere, gauze banners descend for the ball. This sense of exact period modernity aspiring to a ravishing contemporary visual statement is something of which only Mr Prowse among British designers is capable. His production is a triumph in every department, but especially in this one.



Rupert Everett as Nicky Lancaster and Maria Aitken as his mother Florence Lancaster

Hazel O'Connor/Riverside

Antony Thorncroft

Faced with a West End flop when the musical *Girlfriends* got savaged last autumn, its star Hazel O'Connor set to and wrote a musical about a trio of girl singers adrift in Europe at the end of the war. It must have been excellent therapy, but is very little else.

Swing Sister Swing received three airings at the Riverside in Hammersmith at the weekend and can scarcely surface again in its present shape. There is nothing wrong with rudimentary props and a cast that is feeling its way through dialogue it knows it will have forgotten by next week. But it is harder to forgive the script. Hazel O'Connor has been around long enough to know about backstage rivalry, crooked managements, and the highs and lows of touring. But nothing of this emerges in this forlorn stuttering piece.

Perhaps the worst sin of this enterprise is that Ms O'Connor has laced the show with some of the finest songs of the period. When she sings "Can't Help Loving That Man" or "The Man I Love" much is forgiven. Enough to ask why she did not treat us to a concert performance with a few theatrical jokes to fill

Laurence Olivier Awards

Antony Thorncroft

The Laurence Olivier Awards for outstanding performances on the West End stage in 1987 (which in the old duya were known as the SWET) contained few surprises when the winners were called to the rostrum at the Victoria Palace in London last night.

The theatre world'n latest Dame, Judi Dench, was judged to be the actress of the year for her performance as Cleopatra in *Antony and Cleopatra* at the National Theatre and Michael Gambon was the obvious winner for the actor of the year award for his bravura role in *View from the Bridge*, another National success, currently on transfer to the Aldwych.

The BBC Award for play of the year went to *Serious Money* by Caryl Churchill while *Follies* carried off the title of best musical in 1987. Gordon's Gin also acts as a sponsor of the award ceremony and gave its prizes for dance to Trisha Brown for her season at Sadlers Wells and for opera to the ENO's production of Shostakovich's *Lady Macbeth of Mtsensk*. The National Theatre did well out of the awards. *Three Men On A Horse*, which started life at the Cottesloe before earning its West End transfer, was judged comedy of the year and The Observer prize for theatrical achievement was carried off by Thelma Holt, who organised the international season at the National.

One of the productions seen there, *The Hairy Ape*, secured the designer of the year award for Lucio Fanti. The RSC had to make do with two prizes for *Kiss Me Kate*, which it brought to the Old Vic: John Bardon and Emiul Wolk ahared the actor in a musical prize and Nichola McAuliffe balanced it with the best actress award.

Other winners were John Woodvine, comedy performance, as Falstaff in the *Henrys* at the Old Vic; Michael Bryant as supporting actor for work in *King Lear* and *Antony and Cleopatra*, Declan Donnell, director of the year, for the trio of *The Cid, Twelfth Night* and *Macbeth*, staged at the Donmar Warehouse, and a final National Theatre prize, Gordon's Gin, judged Suzanne Sylkvestors performance in *View from the Bridge* to be the best by a newcomer.

Arts Guide

January 22–28

Music

LONDON

Stephane Grappelli 80th birthday concert. Guest appearance by Sir Yehudi Menuhin. Barbican Hall (Tue). (638 8891).

Endellion String Quartet with Susan Tomes, piano and Chi-chi Nwanoku, double bass play Mozart, Frank Bridge and Schubert. Wigmore Hall. (935 2141).

PARIS

Ensemble Intercontemporain conducted by Peter Eotvos, Sharon Cooper, Contralto: Nunes, Donatoni (Mon). Theatre du Rond-Point. (42 56 70 80).

Maria Ewing recital, Geoffrey Parsons, piano (Mon). Theatre de l'Athenée. (47 42 67 27).

Paul Badura-Skoda, Piano: Schumann, Schubert, Haydn, Beethoven (Tue). Salle Gaveau. (45 63 20 30).

Orchestre National de France conducted by Yuri Temirkanov, Radio France Choir: Prokofiev's Ivan The Terrible (Tue). Salle Pleyel. (45 61 06 30).

Charles Koechlin, his friends and groupe Vocal de France: Faure, Koechlin, Poulenc, Sauguet (Mon). Comedie des Champs Elysees. (47 23 36 27).

Munich Philharmonic Orchestra conducted by Sergiu Celibidache: Bruckner (Wed). Salle Pleyel. (45 61 06 30).

Munich Philharmonic Orchestra conducted by Sergiu Celibidache: Debussy, Wagner (Thur). Salle Pleyel. (45 61 06 30).

Michel Dalberto, piano recital (Wed). Theatre des Champs Elysees. (47 23 36 27).

Cecile Ousset, piano: Chopin, Debussy, Saint-Saens (Thur). Theatre des Champs Elysees. (47 23 36 27).

ITALY

Milan, Teatro alla Scala. Gary Bertini conducting Webern and Mahler (Mon). (80 91 26).

Florence, Teatro Comunale. Yuri Ahronovitch conducting cellist Lynn Harrell, playing Frazzi, Schumann and Dvorak (Wed and Thur). (27 79 236).

Rome, Auditorium via della Conciliazione. Lukas Foss conducting Carter and Prokofiev with pianist Alessandro de Luca (Moo and Tue). (65 41 044).

Rome, Teatro Olimpico (Piazza Gentile da Fabriano). Young Italian Soloists. Haydn, Paganini, Beethoven and Hummel (Wed). (39 33 04).

Rome, Oratorio del Gonfalone (Via del Gonfalone 32A). Flautist Carlo Tamponi with the Gonfalone Chamber Orchestra: Galuppi, Boccherini, Bach and Haydn (Thur). (68 75 952).

NETHERLANDS

Amsterdam, Concertgebouw. Piano recital by Vladimir Ashkenazy: Schumann, Chopin (Wed). Recital Hall: Schubert piano duets by Angela Schouten and Henk Ekkel (tue). The Raoul Dufy Quartet and soloists play Brahms (Thur). (71 83 45).

Rotterdam, Doelen. Recital Hall. The Rotterdam Sinfonietta conducted by Kees Hulsmann: Van Wassenaer, Haydn, Francaix, Copland (Mon). Beethoven piano recital by Piet Veenstra (Tue). (41 32 490).

The Hague, Philipszaal. Hans Vonk conducting the Hague Philharmonic, with Joanna Madroskiewicz, violin, and the Hague Bach Choir: Haydn, Karlowicz, Verdi (Thur). (60 98 10).

Utrecht, Vredenburg. Recital Hall. Utrecht Conservatory Ensemble: De Falla, Montsalvatge, Marco (Tue). Various soloists: Rossini soiree (Wed). Flamenco recital by Naranjito de Triana, vocalist, and Manolo Franco, guitar (Thur). (31 45 44).

Groningen, Oosterpoort. The Pepin Wind Ensemble plays Mozart (Tue). (13 10 44).

Nijmegen, Vereeniging. Piano recital by Natalia Trul (Tue). Lieuwe Visse, bass-baritone, accompanied by Reinbert de Leeuw: Wagner, Busoni, Wolf, Hauer (Thur). (22 11 00).

NEW YORK

Cleveland Orchestra, Christoph von Dohnanyi conducting, Shlomo Mintz violin. Neikrug, Mahler (Tue). Carnegie Hall, (247 7800).

Eric Grossman violin recital. (IBM Gallery). Juilliard Concert programme includes Beethoven (Wed, 12.30). Free. 56th & Madison.

Eugene Boodi cello recital with Robert Schwartz piano. Bach, Debussy. Robert Hall Lewis (world premiere), Brahms (Mon); Hakan Rosengren clarinet recital with Rudolf Stakeman piano. Poulenc, Chausson, Debussy, Schumann (Tue); Neil Rutman piano recital with Tony Randell narrator. Faure, Liszt, Poulenc, Ravel (Thur). Merkin Hall (Goodman House). 67th w of Broadway. (362 8719).

Schubert's 190th birthday. A ten-year programme of the complete works of the composer begins on Tuesday, culminating at his bicentennial. Over 60 chamber works, nine symphonies and operas, songs, masses both known and unknown will be performed (Tue, Wed). Kaufmann Hall. 1395 Lexington Av. (831 8603).

New York Philharmonic (Avery Fisher Hall). Erich Leinsdorf conducting, Kathleen Battle soprano, John Aler tenor, Benjamin Luxon baritone, New York Choral Artists directed by Joseph Flummerfelt. Haydn (Mon, Tue); Giuseppe Sinopoli conducting, Philip Myers horn. Scriabin, Mozart (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall). Mstislav Rostropovich conducting, Nicola Ghiuselev bass, Choral Arts Society of Washington directed by Norman Scribner. Bach, Shostakovich (Tue); Mstislav Rostropovich conducting. Beethoven, Parris, Sibelius (Thur). Kennedy Center (254 3776).

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Monday January 25 1988

Jostling in left field

THE LEFT field of British politics remains wide open. This simple fact of life has kept the opposition to the Tory Party divided and thus for the past nine years provided an outstanding opportunity for Mrs Margaret Thatcher's Conservatives. They have seized it and won three elections in a row. Left field thus remains the playing-ground for the various parties and politicians who oppose the Prime Minister and some or all of the policies she has espoused. It is in this context that the momentous decision taken by the Liberal Party in Blackpool on Saturday afternoon is best understood.

Merger process

In one sense the overwhelming vote in favour of a merger with the Social Democratic Party and the subsequent creation of a new Social and Liberal Democratic party was a major step forward for those who believe in the necessity of a new opposition to the Tories that is not rooted in Labour's socialist traditions. It was also a triumph for Mr David Steel, the Liberal leader who was widely derided only a fortnight ago for first publishing and then withdrawing a particularly injudicious joint statement of policy. Yet even on this narrow view there is still much to be done before the process is complete. The SDP must take its own vote at Sheffield next weekend and, on the assumption that that turns out to be in favour of the merger, both parties must still put the matter to mass votes of their memberships. If all goes well at that stage, there will then have to be an election to the post of leader of the new party, for a new leader could not be imposed from above even if Mr Steel is so buoyed up by his own ability to survive political misfortunes that he wishes to carry on.

While all that is happening Dr David Owen, the former SDP leader, will no doubt take the opportunity to make some end-runs of his own. He has steedfastly declined to take part in the merger negotiations, and he has indicated that he will edvise his followers to abstain when the matter is put to the ballot at Sheffield. His aim appears to be to secure as much support as he can for the continuance of his version of the SDP, or what will be left of it, in its present form. The farce over policy-making during the merger process has presumably improved Dr Owen's position as someone who will have no truck with any of it, but the size of Saturday's vote by the Liberals in favour of merger could build up a counter-momentum against him.

Either way, it is difficult at this point to envisage a set of circumstances in which his SDP could become more than a splinter of a splinter group. He is currently able to diminish the stature of the new SLDP, but it is hard to see how he could become able to win much support at the polls for his own rump of a party.

Twin albatrosses

All of this should provide the Labour Party with a major challenge. It needs to win the votes of, say, half the 7m people who have supported the Liberal-SDP Alliance if it is to stand a chance of toppling the Conservatives. Mr Neil Kinnock, its leader, is showing signs that he recognises as much: his current "Labour Listens" campaign, together with a long-term policy review, can be construed as an effort to bring the party over to a set of policies that social democrats and liberals could accept. But there is a long way to go before even the new model Labour party is free of the "loony left" image that has done it so much damage in recent years, and even further to travel before the twin albatrosses of unilateral nuclear disarmament and dependence on the trade unions are struck from its neck. The game is still Mrs Thatcher's.

Europe's new empire-builders

SO MANY ingenious arguments have been devised by acquisitive businessmen over the years to justify takeover bids that there might seem little scope for further innovation. But Mr Carlo De Benedetti, the Italian industrialist, has broken new ground by basing his bid for control over the sprawling Société Générale de Belgique explicitly on tha European Community's plans to create a single market by 1992.

This may be largely a public relations ploy to placate hostile Belgian opinion by invoking a higher European purpose. Yet the fact that the point is being made is a striking measure of the public attention which the 1992 programme is starting to attract.

Though it remains uncertain whether the Community will complete on time all the necessary legislation, the programme has already acquired considerable symbolic importance. In many countries, it has become synonymous with the challenge of restructuring industry and improving its efficiency in the face of international competition.

The recent surge of cross-border acquisitions and mergers in Europe is one consequence. Many sectors have become ossified behind protective nationel barriers which have deprived them of the incentive to exploit their assets fully. Groups which were created within e national context and for national purposes, such as Société Générale de Belgique and the big Italian state holding companies, have begun to look out of place in today's competitive conditions. For enterprising bidders such as Mr De Benedetti, who are prepared to leap over national barriers, the pickings can be rich indeed.

Limited powers

Such deals are positive when they lead to more effective utilisation of resources, larger economies of scale and reduction of excess capacity. However, the task of strengthening European industry needs to be kept in proportion. It would be dangerous if "preparing for 1992" simply became a slogan to justify unhealthy industrial concentration or anti-competitive practices.

Some governments already tend to view the planned internal market as a defensive bulwark against the rest of the world. Still more like the idea of using the Community's collective weight to extract 'reciprocity' from its major trading partners, particularly Japan.

The problem is that the 'reciprocity' weapon is an exceedingly blunt instrument. It can all too easily lead to tit-for-tat trade retaliation or, still worse, become a convenient justification for prosecuting protectionist policies.

Even if the Community keeps its external frontiers relatively open, it will still need a competition policy tailored to a single market. National competition authorities are not well equipped individually to supervise companies which operate freely across frontiers, while the commission's treaty powers are also somewhat limited.

However, it is doubtful whether the best solution lies in the commission'a efforts to expand its own authority, notably to contrul large mergers. It may ride above nationalistic prejudice, but it is removed from direct exposure to market conditions in individual states.

Domestic opposition

Furthermore, in drawing up its internal market programme, the commission has deliberately rejected centralised regulation. Instead, it has opted squarely for liberalisation, in the belief that national authorities will be obliged by market pressures progressively to align their regulatory systems.

The recent agreement by the Group of 10 central banks to harmonise their supervision of internetional banks' capital adequacy ratios suggests, in a different context, that the commission's general reasoning is sound. Community competition authorities should be urged to follow this example by seeking to coalesce around some common rules. Meanwhile, countries such as Italy which are still trying to establish competition policies - sometimes against fierce domestic opposition - should be encouraged to persevere.

Stewart Fleming reports on the mood of Americans as they prepare for the presidential election

The unreal state of the Union

TONIGHT President Ronald Reagan will deliver his final State of the Union address to the American people. It will mark the beginning of the end of the Reagan decade and the opening of what promises to be the most closely fought presidential election campaign in years, e $400m political extravaganza to select the man who could lead the United States most of the way to the 21st century.

The campaign is now moving into high gear ahead of the Iowa party caucuses, or debates, on February 8. These provide the first test of voters' preferences for each party's candidates. Despite the imminence of this first solid contact with democracy, an air of unreality surrounds the whole campaign. Mr Reagan and his Republican Party cannot address the problems the country faces honestly without the risk of handing the White House to the Democrats. And the Democrats have so far found it impossible to redefine the political debate to their advantage.

This unreality affects even the most seasoned observers, inveeting their comments with a curious lack of resonance. "The election marks the end of an era and the beginning of something different. What that is remains to be seen," says Mr Norman Ornstein, a political scientist with the American Enterprise Institute, a Washington think tank.

The idea of this election as a watershed, a change in generations, has led to frequent comparisons with the 1960 presidential election. In that year, John Kennedy, who became America's youngest President, defeated the ageing President Dwight Eisenhower, then the oldest man to have occupied tha White House.

Then, as now, no incumbent President had a lock on his party's nomination; and though Richard Nixon had a fairly easy ride to the Republican nomination, the struggle for the Democratic ticket was as fierce and uncertain as it is this year.

Then, as now, the nation's self-confidence had been disturbed by the emergence in the Soviet Union of a new leader and the perception that Washington was facing a more dangerous Soviet adversary.

But the differences between 1960 and 1988 are greater than the similarities. In 1960 the US was still an essentially insular nation, coming to terms with the superpower status thrust upon it by the Second World War. In reality, the Soviet technological challenge – symbolised by the launch of the Sputnik satellite – did little to shake underlying American self-confidence. After all, the US commanded some 40 per cent of the world's gross national product; its economic rivals had been a collection of bomb sites only a decade earlier; and its ideological challenger could not claim equivalent military strength, especially in nuclear weapons.

Twenty years later, Americans know in their gut that the challenges they face – political, social and economic – are daunting. They sense that the US economy, and the jobs of its workers, are more vulnerable to decisions made by foreigners than at any time since Washington took on the leadership of the Western alliance.

Public opinion polls reflect this unease. In the early Reagan years, the polls had been picking up a rising murmur of growing confidence in America's institutions. For over a year now, they have been registering increasing cynicism and doubt among the electorate. "Nobody is going to be running 'Morning in America' ads this year," says Mr William McInturff, of the Wirthlin Group, which has been providing President Reagan with polling data throughout his years in the White House.

But if America is at a crossroads you would not know it from listening to the 13 candidates – seven Democrats and six Republicans – who will put their presidential ambitions to the test in Iowa in two weeks' time.

For the most part the candidates' prescriptions have been narrow, technocratic, and ill-defined rather than inspiring – particularly when measured against the dangers and opportunities which lie ahead. Vice President Bush, for example, tells his audiences that he wants to be known as "the education President" when he enters the White House. Senator Robert Dole, his chief rival for the Republican nomination, jokes about how the press keeps demanding his vision of America's future, adding that he would probably have to come up with a new one every month to keep reporters satisfied.

Tbe political debata is inhibited partly by the complexity of the country's economic problems; partly also by the plausibility of the illusion of prosperity. This is the sixth consecutive year of economic growth, rising employment and a moderate rate of inflation. Coupled with the easing of tensions with Moscow and the avoidance of war in the Gulf, the picture most Americans see is one of peace and economic success. While these conditions are in place – and the Republicans are praying that they will be until November – "we are not going to see a sharply focused issue-based campaign," says Mr Ornstein.

There are other, less encouraging, reasons why the campaign has been so bumdrum. One is part of the Reagan legacy: the federal budget deficit. Both Republicans and Democrats, reading the polls, know that the wave of anti-government, pro-dafence spending sentiment which President Reagan rode into the White House is on the wane. Americans are ready to accept a more activist government – particularly in areas, such as education and health care, that concern a middle class that is mushrooming at both ends of the age scale.

What is less clear is whether they are prepared to pay for it with the higher taxes and more limited benefits which are the only options Mr Reagan's gargantuan deficits have left open. Only one candidate, a Democrat, former Arizona Governor Bruce Babbitt, is betting they will – he has proposed a valne-added tax and the means testing of social security benefits. Senator Dole on the Republican alde has pinned himself to the flag of "austerity," but its colours are ill-defined.

Similarly, in the field of foreign affairs, the air is for the most part full of platitudes, not policies and vision. A nation which could be enthusiastically debating America's role as the leader of a more complex Western alliance and the pole-star of a growing constellation of market-based economies instead finds ita presidential candidates displaying thinly veiled resentment towards its allies for exploiting the freedom of American markets and failing to share tha bnrdens of defence.

Senator Robert Dole last week did go a step beyond the platitudes being offered by, in particular, Vice President Bush. In an important foreign policy speech he addressed directly the issues of dealing with Moscow and managing the Western alliance. But the candidates have failed so far to bring home to the American people a sense of the degree to which the outside world is affecting their lives. The candidates are not trying to lead people to grasp the domestic dimensions of foreign policy issues.

The candidates' caution can also be ascribed to tactical considerations, says Mr John Sears, a political consultant who managed part of President Reagan's 1980 election campaign. There is no clear front runner to take aim at in either party: Mr Bush, who leads the polls among Repnblicans, is considered to have broad but shallow support; and it almost seems as if another Democrat rises to the top of the polls each week. In such a contest, the temptation to play safe and wait for the front runner to commit political suicide is great.

On the face of things, it is early days yet. The first test is Iowa on February 8; the last important primaries for the selection of convention delegates are in California and Naw Jersey on Juna 7. There appears to be time for a candidate to define his goals, and put forward a vision. Mr Sears for one believes that a candidate who could do this would have at least his party's nomination in his grasp.

In reality, however, time is presaing. This year's presidential primary campaign is more "front end loaded" than any in American history. By March 8, when 20 mainly Southern states hold primary elections or caucuses, a third of the delegates to the Democratic convention and one half to the Republican will have been selected.

If two candidates emerge from Iowa on February 8 and the New Hampshire primary on February 16 with unstoppable momentum and command of the television screen through the news coverage they will attract, the two parties' nominees could be determined by early March. If not, the race could prove to be the most intriguing in years. Some observers are speculating that after an indecisive primary season, one or other of the national conventions – most think the Democratic convention – could for the first time since 1968 be the scene of the smoke-filled room manoeuvres through which presidential candidates used to emerge. Then, for the Democrats, new names could come into the reckoning – such as that of Governor Mario Cuomo of New York.

Wboever emerges as the victor, it is one thing to win the presidency and another to win a true mandate for power. In a government where the President must share power with the legislature, such a mandate is the key to seizing the initiative on Capitol Hill and in the federal bureaucracy. America and its allies are right to be concerned that so far none of the candidates is displaying a presidential capacity for leadership.

As the campaign evolves, the public, the press and broadcasting focus first on the front runners, then on the nominees. Typically, as part of this gruelling process, their stature grows; their capacity to articulate a direction for the country expands. If this does not happen as the campaign of 1988 wears on – and there is so far little sign of it – then the outlook is discouraging. For a president who has not fully taken hold of the administration and the public mind in his first weeks in office is a President who has stumbled at the first hurdle.

Republican Candidates

- George Bush, Vice President, aged 63
- Robert Dola, Senate Minority Leader, Kansas Senator, 64
- Pierre du Pont IV, former Governor of Delaware, 53
- Jack Kemp, Representative New York 31st district, 52
- Alexander Haig, former US Secretary of State, US Army General and Nato Commander, 64
- Pat Robertson, former television evangelist, 57

Democratic Candidates

- Bruce Babbitt, former Governor of Arizona, 49
- Michaal Dukakis, Governor of Massachusetts, 54
- Gary Hart, former US Senator for Colorado and 1984 presidential candidate, 53
- Richard Gephardt, Representative Missouri 3rd district, 46
- Albert Gore Jr, Tennessee Senator, 39
- The Rev Jesse Jackson, black civil rights leader and 1984 presidential candidate, 49
- Paul Simon, Illinois Senator, 59

OBSERVER

Third party nostalgia

David Steel, by general consent, had a successful weekend in Blackpool. The leader of the British Liberal Party is very good at getting himself into a mess, then making a brilliant conference speech that partially gets him out of it. He has been doing that for mnch of his adult life.

The point is, however, that he continues to meke the same speech. It was all very well to talk about the need for a radical third force in British politics when the Liberal revival began in by-elections in the late 1950s. By now – nearly 30 years later – the Liberals have been through three leaders, Grimond, Thorpe and Steel, and the message is still the same.

They have even been through the alliance with the Social Democrats, which probably will turn into a merger in the end, without noticing that there is something fundamentally wrong.

It is no longer the absence of s credible third force that is a prominent feature of the British political scene. It is the absence of e second force.

Until the Liberals, Social Democrats, Alliance – call them what you will – realise that, they will go on playing the games of yesteryear. It is distinctly unambitious and was the mistake thsy made at the last general election.

No Mississippi

Australie is the one really large country in the world that I have never visited. The only fact that I remember learning about it at school ia that it lacks a central river system. That explains almost everything. It tells you, for example, why Australia will never be like the United States. It is curious that so few people seem to be aware of it.

Nevertheless, happy bicentenary.

Italian bosses

Is Cesare Romiti, tbe man credited with masterminding the Fiat Group's recovary in recent years, to be dragged with apparent reluctance towards the presidency of Confindustria, a body rather more influential than its British equivalent, the CBI?

The present occupant, Luigi Lucchini, retires in May after a four year stint and a committee of three wise men has been doing a round of Milan, Turin and other northern centres tapping opinions among the local business barons.

All reports suggest that the Fiat managing director'a name is on a good many lips in a search for someone of, as they say, "authority and charisma" to fill a job which has grown immensely in importance since the "desire for capitalism" (Carlo De Benedetti) started to take hold in Italy. A school of thought in Confindustrie holds that a man is needed who knows how to stand up to politicians of all parties and who can lead an against public waste and for bureaucratic efficiency.

Romiti, now 64, sounded as if he had already posted his job application last eutumn when he made a speech setting out the priorities for the post-Lucchini era. "I am convinced that a new and courageous economic policy which frees and supports entrepreneurial energies, which dismantles old and worn privileges and which gives to public structures the profile of a modern industrial country would find much more consensus than we tend to believe," he claimed.

His subsequent assurances that ha would not be available for drafting sounded less hollow after Giovanni Agnelli himself ruled a couple of weeks ago that Romiti was "still useful at Fiat" - this, one imagines, being a rare Italian understatement.

The smart money on Romiti says that at a time of fierce political debate about Fiat's size and power, there is no way that the "avvocato" could straightforwardly draft his men into a post he himself occupied a decade ago. Yet if he were the people's choice ...

Agnelli has also let it be known that he plans to make Vittorio Ghidella, the bero of Fiat Auto's recovery this decade, group managing director at some stage. With Romiti transplanted to Confindustria, there could hardly be a better time than May.

"I got the idea from the stock exchange - the computer updatee the price increase every hour."

Rally to Tribune

Tribune, tbe independent weekly of the British labour movement, is in very serious financial difficulties and may cease to appear within the next few weeks, if not before.

I hope that I am not alone in thinking that it would be a serious loss. Tribune nowadays is not the most scintillating read, but it is independent and it does provide a forum for debate within the left. In the old days someone like Lord Beaverbrook would have quietly put money into it, if only to keep the pot stirring.

Today it is probably up to the trades unions. If they do not fork out, one will begin to wonder if they are just mean, short-sighted, opposed to independent debate or indeed whether the left has anything left to say that is worth putting money into. A few thousand pounds would help, even a few hundred.

Snail with style

Stung by complaints that all delivery vans look the same, Nissan, the Japanese car maker, bas produced something different. S Cargo is a delivery van designed like a fashion accessory.

The French pun is deliberate, says the company, which claims that the truck's curved bonnet and arched roof make it look like a enail. To outsiders it looks exactly like the classic Citroen 2CV, complete with a slide-away canvas roof. Nissan executives say with a smile that this is pure coincidence.

"S Cargo is unique. We wanted to make a van that was fun to drive," says Ieamn Suzuki, the Nissan general manager in charge of the project.

The S Cargo is Nissan's latest attempt to brighten its rather dowdy image in Japan. It follows the success of the Be-1, a 1960s-style mini. The Be-1 sold so well that Nissan later regretted putting e 10,000-car ceiling on the limited edition model. It plans to make 300 S Cargos a month, starting next year. Boutiques, florists and up-market bakeries ara expected to be among tha customers. The company thinks that most of the drivers will be women.

Figures

In the days before screens took over, Reuters had a Wall Street reporter who kept forgetting to put the currency conversions into his stories. So he was demoted to social correspondent.

He went to cover a party and wrote: "Marilyn Monroe came in looking like a million dollars (£317,000 7s 6d.)"

هكذا من الأصل

Max Wilkinson explains BP's agreement to buy majority ownership of Britoil

Moving up the big league

IN ONE bound late on Friday night, British Petroleum confirmed itself not only as the third largest, but also as the most aggressive of the world's major oil companies.

With better footwork and a heavier financial punch, it knocked Atlantic Richfield of the US out of the contest to take over Britoil, the UK oil explorer. As a result BP is set to walk off with half of the entire British independent oil sector for about £2.3bn - in open defiance of the Government.

BP's offer of £5 per share for Arco's 24 per cent stake in Britoil was an impressive demonstration that, as new reserves become harder to find, the best places to explore for oil are now in Wall Street and the London Stock Exchange.

Many believe that the industry is already well into another cycle of consolidation - a real life Monopoly game with the dice heavily loaded in favour of the major integrated companies. It is a game in which BP was indisputably the star player last year, surely one of the most tumultuous in its colourful history.

Early in 1987 BP opened the bidding for the second largest corporate acquisition ever made - the $7.8bn purchase of the minority of Standard Oil of the US which it did not already own.

Before the ink was dry on this deal, the British Government was laying plans for an even larger £7.2bn sale of its remaining stake in BP, wrapped up with a £1.5bn rights issue. The October stock market collapse transformed the sale into a fiasco. The unwanted stock fell easily to the Kuwait Investment Office, which to BP's unconcealed dismay now owns almost a fifth of the company. However, the cash from BP's rights issue, underwritten by the Treasury, was already in the bag. So the company decided to spend it on Britoil.

Though dwarfed by the Standard acquisition, the bid for Britoil ranks as one of the most important deals of the decade. Britoil is bigger than the rest of the UK independent sector put together. And its oil reserves of more than 1bn barrels and its low debt gives it a respectable position in the world of independent oil companies.

The fate of Britoil shows that even the strongest independents are now vulnerable. In the US, a quarter of the 45 independents which had assets between $1bn and $4bn in 1982 have disappeared. The list includes Monsanto Oil, Universal Resources, Inexco, Aminoil, Energy Reserves, Petro-Lewis and Celeron.

The halving of oil prices in 1986 cut down many of the smaller US oil companies with excessive debt. Survivors were forced, like Britoil, to make deep cuts. Then just as the more robust were staggering to their feet last autumn, the collapse of share prices made their oil reserves look cheap.

Others besides BP must have noticed that when Britoil's stock sagged below £2 in November, the City was valuing its reserves at about $1.50 per barrel. Even the most efficient companies spend two to three times that amount finding oil by exploration. But not even Shell or Exxon, the plutocrats of the industry, dared to defy the British Government's "keep out" notice, the "golden share" created when Britoil was privatised in 1982.

BP's chairman, Sir Peter Walters, placed a very large bet on his hunch that the Government was bluffing - or confused. He noticed that the golden share gave ministers the casting vote at a shareholders' meeting, but would not prevent a change of ownership. Once BP had grabbed 100 per cent of the equity, he reasoned, the Government could hardly use its vote to frustrate the interests of shareholders, and would soon tire of being a mere nuisance.

Arco followed rather tamely in BP's footsteps, buying Britoil shares in the market as part of a "friendly" deal intended to give it just less than half the threatened company's equity. The final act has yet to be played, but unless the Government or the market can spring a surprise, BP seems assured of closing this 12 month drama with a fanfare.

Only a couple of years ago, the company was emerging from painful programme of financial regeneration, streamlining and refinery closures. Then the collapse of crude prices revealed dreadful weaknesses in Standard, and led Sir Peter to sack the American management and put in his own team. But in the summer of 1986, when oil prices were down to $8 per barrel and Standard's share price plunged, BP hesitated to take the final step and buy out the minority shareholders. It was not until the price of crude, and of Standard, had recovered 9 months later that a bid was launched.

The delay may have been politically shrewd in view of US sensitivities about Standard, which traced its history back to John D. Rockefeller's oil empire in the last century. A similar astuteness was needed in the case of Britoil, to gauge whether a mood of industrial chauvinism or free market principles, or mere indifference, would prevail in Westminster.

Sir Peter Walters, chairman of BP: betting on a hunch.

For in the end BP, like all oil majors, cannot afford to make an enemy of any Government which controls licences in a large oil province. This political restraint, never far from any oil deal, may partly explain why Shell and Exxon have been relatively slow to use their big reserves of cash in the acquisition game.

It is estimated that each of these companies will generate some $1.5bn of "free cash" in each of the next few years, after paying dividends, and other expenses. But their financial strength is so great that either could in theory buy almost any other player on the board. Recently, however, their acquisitions, running at roughly $1bn a year each, have been modest in relation to the $12bn which BP expects to have spent on its two big purchases since last summer.

Shell, which has concentrated on buying assets rather than companies, has appeared reluctant to take on the political and organisational problems of a big corporate merger. Exxon, which spent more than $7bn buying its own shares in recent years, has appeared even more anxious to avoid anti-trust complaints.

Most of the other big oil companies are still struggling with the task of reducing debt ratios, particularly Mobil and Chevron which borrowed heavily for the mega-mergers of 1984. BP has been able to exploit the fact that cash pouring out of its big oilfields in Alaska and the North Sea make it financially strong without being musclebound by size.

As number three in the world oil league, BP is well ahead of the rest of the pack. But even including Standard, its net assets at the end of 1986 were, at £21bn, little more than half those of Shell. The addition of Britoil's assets - with a book value of £1.7bn at the end of 1986 - will not radically change the position. And the purchase of Britoil would not help BP's long standing ambition of reducing its dependence on two oil provinces, Alaska and the North Sea. So, although BP would need to pause to reduce its debt to total capital ratio from more than 40 per cent to around 30 per cent, all the signs are that it ie engaged in a sustained push for expansion. The strategy may or may not be endorsed by the British Chancellor and the City, but it has clearly gained enthusiastic support from Kuwait.

BIG OIL MERGERS

DEAL	DATE	PRICE ($bn)
Dupont buys Conoco	1981	7.5
USX buys Marathon	1982	6.3
Occidental buys Cities Service	1982	4.1
Phillips buys General American	1983	1.2
Texaco buys Getty Oil	1984	9.9
Chevron buys Gulf	1984	13.2
Mobil buys Superior Oil	1984	5.8
Royal Dutch/Shell buys minority of Shell Oil	1985	5.2
BP buys remainder of Standard	1987	7.8
BP's offer for Britoil	1988	4.1

Lombard

UK Treasury takes a wrong turning

By Samuel Brittan

THE HIGH POINT in the revival of British interest in international monetary matters came with the Chancellor's speech at the IMF in September. Since then it has been downhill most of the way.

Let me explain. The desirability of managed exchange rates is far from clear. "The basic problem is the difficulty of establishing the pattern of exchange rates that is consistent with underlying fundamentals" - not my words, but those of the Chancellor's chief economic adviser, Sir Terence Burns to the Society of Business Economists, December 3, 1987).

An even more basic problem is that managed exchange rates politicise (forgive the word) yet another aspect of economic life. The beat, because least political, system is either freely floating rates, or genuinely fixed rates, probably the latter.

Nevertheless, we have been doomed to managed exchange rates since US Treasury Secretary, James Baker, decided in 1985 before the Plaza Accord that he could not live with a very high dollar - not because of statisticians' nightmares about the growth of US debt,but because of old-fashioned political pressure from US exporting interests.

Practical exchange rate management starts with the dollar and yen. There have already been several attempted target ranges, breakdowns and fresh starts with these two currencies. Japan is far more dependent on US markets than West Germany and more inclined to co-operate. But Germany will come along later.

What then remains for the rest of the Group of Seven? Surely not to tell the US, Japan and Germany how to run their budgets or set interest rates. That sort of advice is returned with a flea in the ear. What they can usefully do is to make suggestions for the rules of any arrangement that emerges when the Big Three have got their act together,but are open to ideas on implementation.

This is what the British Chancellor started to do at the IMF in September, when he put forward a system of moving target zones. But then came the wrong turning. Instead of playing it long and developing his ideas on world monetary reform as the French Finance Minister, Edouard Balladur has done, the British Chancellor began to shower advice on other countries on how to manage their immediate affairs - in particular telling the US to raise domestic interest rates.

This advice does no harm in question and answer session. But to make it a main plank of British policy was a serious mistake. This is especially so, when the reason given was "domestic American demand," of which the US authorities must be the judge.

Meanwhile, the failure of my attempts to obtain the detailed paper behind the Lawson IMF Speech has made me doubt whether any such paper exists - although there are innumerable aspects crying out for elaboration. (If shortage of specialists at Budget time is the difficulty, why not draw on the resources of the Bank of England?)

Budget advice to the US, Japan and Germany is returned with a flea in the ear

And why do not the British and French Finance Ministers, whose basic attitudes are similar, at least try to get their act together, if they want anyone else to take notice?

There is a more immediate matter. There is no point in talking about managed exchange rates, while the British Government refuses to join the one working system of managed exchange rates on its doorstep, namely the European Monetary System.

British business does not believe in the durability of Nigel Lawson's informal range for sterling of DM2.8 to DM3. Otherwise we would not see annual UK earnings increases rising above 8 per cent. Yet how can we expect businessmen to behave differently when they notice that the Prime Minister has distanced herself from the Chancellor's exchange rate policy? Nor is there is anything to stop the Chancellor himself indicating a lower sterling range at some future date.

Business forecasters, seeing the trend of British costs relative to competitors, and forecasting payments deficits, pencil in a downward medium term path for sterling; and this assumption feeds into pay settlements accepted by the most hard-headed of British bosses. Indeed, the pessimism will prove self-justifying, and it will one day become as irrational to *stop* a sterling devaluation, as it became under Harold Wilson in 1967.

Heaven forbid that I should try to stir things up between the Chancellor and Prime Minister. It just happens that full EMS membership offers the one chance of making business believe that sterling will not depreciate significantly against the D-Mark. With monetary targets in disarray, nominal GDP going through the roof, and the old inflationary symptom of a Ford strike threat with us again, a medium term exchange rate commitment is the one chance of restoring credibility to the Government's Financial Strategy.

Without a showdown on the EMS, the outlook is all too clear. Nigel Lawson will eventually move from the Treasury and even the informal exchange rate target will disappear, leaving sterling as just one of many indicators "taken into account." A widening trade gap will strengthen the pro-depreciation school, leading to more inflation, freezes and squeezes. Rather than blame his successor for such events, Nigel Lawson should stay at the Treasury and grasp the nettle.

Letters to the Editor

In fact NIC is a general tax

From Mr Glenn Wellman.

Sir, There is much to be said for the idea, advocated in Samuel Brittan's article (January 14), of smoothing out the tax bands by lowering income tax rates, while removing the cap on employee's National Insurance Contributions (NICs).

In effect this would involve the final integration of the NIC into income tax, and I was surprised that Mr Brittan did not propose the obvious next step: to abolish the whole notion of the NIC as an insurance premium and to accept it for what it is, a general tax.

The great bulk of social security spending is borne from the general budget. The Government itself acknowledged the intellectual hollowness of the notion of earnings-related contributions and benefits when the ceiling on employer's contributions was abolished two yeare ago. To remove the employee's ceiling would underscore the point.

There is much to be said for genuine social insurance, but it is morally corrosive to pretend, as we do now, that the contribution and the benefit are related in any serious way. It is politically damaging to perpetuate the myth that particular classes of benefit recipient are entitled to rising levels of benefit because "they've paid their contributions."

Increases in pensions, disability and unemployment benefits and health care provision should be seen for what they presently are: administrative decisions sanctioned by Parliament and funded from the Exchequer. As the Americans have discovered, the very use of the term "entitlements" changes the way people view benefits, and encourages dependency and abuse.

If the medical and social insurance premia were to be transferred from the income tax to a realistically set and actuarially audited NIC, then people might begin to realise how much these services really cost. It would also be possible to consider alternatives to the state as the underwriter of the risk.

If this is not possible, then what is the purpose of maintaining the distinction? To move toward an integrated tax and benefit system would eliminate the poverty traps and other anomalies of the present mish-mash and might, despite the best efforts of the civil servants, eventually lead to reduction in administrative expense and delay.

Glenn Wellman,
150 Court Lane,
Dulwich, SE21

RSA could be made more attractive

From Mr John H. Clement.

Sir, Time alone will tell whether the Government's decision to abolish the simple, certain and predictable regional development grants (RDG) in favour of greater emphasis on the complicated, uncertain and unpredictable regional selective assistance (RSA) will prove to be of benefit to the development areas.

I doubt it; but what's done is done, and it now behoves companies in, or moving into, development areas to make the best possible use of the RSA scheme – as Mr Peter Walker, the Secretary of State for Wales, has publicly urged them to do. The Government could, however, make the scheme much more attractive at a stroke.

Quite apart from its simplicity and certainty, *one* of the attractions of the RDG scheme is that the grants are treated as capital receipts; they are therefore tax free. They are so treated even when calculated on the £3000 per job basis. Selective assistance, on the other hand, is treated as revenue and is therefore taxable – sooner or later.(Indeed, following the phasing out of capital allowances from 1984 it now becomes taxable sooner rather than later. The reduction in the rate of corporation tax was intended to offset the effect of the phasing out of capital allowances, but in practice the net result has been anything but neutral).

What the Government need to do, therefore, is to declare that in future RSA will be treated as a capital grant, not revenue. In reality it is a capital grant, because in tha final analysis the amount of grant is very largely related to the capital cost of the project. Furthermore, the grant is usually paid in tranches related to the phasing of the capital expenditure.

John Clement,
6 St Brioc Road,
Heath,
Cardiff, Wales

Patent Office should not move to Cardiff

From Mr G.V. Tew.

Sir, Mr Colin Adlam, of the West Development Agency, makes a thoroughly bad point (Letters, January 19). If my recollection is correct, the proposed move of the Companies Office to Cardiff was the subject of a deputation led by a most distinguished City figure seeking to prevent it. It may well be true that the cost to the Treasury has gone down, but there can be little doubt that the cost to many users, both in terms of direct outlay and in reduced efficiency, has gone up.

It is short-sighted and stupid to have regard to the Ministry costs alone. If the process is repeated in the case of the Patent Office the same result may occur. Services to people from overseas, in particular, need to be conducted within easy reach of Heathrow.

G.V. Tew,
17 Crestway,
Roehampton, SW15

Second and third are fighters and copers

From Mr Quentin Bell.

Sir, Michael Skapinker raises more questions than answers in his report of the profile of British industry managers (January 15).

The first uncertainty le exactly how one defines the work "manager." If that means a line managerial function in a corporate organisation where the role is as much functional as it is strategic, then maybe the findings are correct.

My experience tells me, however, that those "managers" (I use the term in the wider context of "British industry managers") who are prime movers from the entrepreneurial school are almost always *never* the first child.

To me the reason is clear: the first child, through novelty and pride, is often over-cosseted by its loving parents. The second or third child is left (relatively speaking) to fight for attention, as well as having to cope more often alone.

I believe that it is this environment of having to "fight" that conditions our business leaders, whether we call them managers or directors. It is manifest in the larger firms (for example, Sir Ralph Halpern), as well as the more obvious small enterprises which are run by founder-managers.

Quentin Bell,
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The European Parliament is taking advantage of its new powers

From Mr Christopher Jackson MEP.

Sir, Tim Dickson refers to the growing influence of the European Parliament, and to "rumoured negotiations between Christian Democrats and Socialists" ("Brussels starts to take Strasbourg seriously," January 18). Perhaps I can clarify the latter point?

Like the Commission, the European Parliament is putting enormous effort into making the Single European Act work, into progress towards 1992, and into taking full advantage of its new powers. But, unlike Westminster, Strasbourg has no single party majority; any proposal requires more than single party support to succeed. Negotiation is thus a constant feature of our political life.

In the case of the Single European Act, this becomes even more important, because on second reading or when dealing with agreements with third countries we must assemble 260 votes – an absolute majority of members. This necessitates closer co-operation between the political groups.

Negotiation starts with the centre-right majority in Parliament. For example, on Monday at 7pm I chair a meeting of spokesmen of the Christian Democrat, Conservative, Liberal and Gaullist groups designed to deal with any remaining problems on the votes taking place that week. This is a relatively new development.

On Tuesday, Socialist spokesmen meet with Christian Democrats to try to assure the 260 votes where necessary. Why do not the Conservatives, Liberals and Gaullists join in too? This is a matter of some contention. Between them, Socialists and Christian Democrats could muster 260 votes on their own, and the other centre-right groups are wary of any attempt by the two largest, German-led, groups to dominate Parliament. After all, they are (especially in Germany itself) political adversaries – and with adversaries it is wise to sup with a long spoon.

One thing is certain: since 1979 there has been a continuing trend for the elected parliament successfully to increase its power and influence. First seen in budget matters, this extended via the European Court judgment on the isoglucose case to a suspensory veto on legislation; and now to a second reading potentially with substantial impact.

May I, through you, urge any reader who thinks draft EC legislation requires change to contact MEPs on the relevant committee months before the last minute? That is often the best time to have an effect.

Christopher Jackson
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Sevenoaks, Kent

FINANCIAL TIMES

Monday January 25 1988

Janet Bush on Wall Street

Signposts of a bear market

WHEN A 0.17 point rise in the Dow Jones Industrial Average in a trading session is hailed as an encouraging gain, you know you are in the midst of a bear market.

After three days of watching the market record sharp declines, Thursday's miniscule rise seemed to be greeted with genuine relief by equity analysts increasingly desperate for good news.

The punishment meted out on computer shares last week provided another signal that the market is now in a bear phase. Several major computer companies announced their fourth quarter results and a large proportion of them came up to or even exceeded analysts' forecasts. However, the market chose to concentrate its attention on the notable exception of International Business Machines. IBM dropped $6 on Tuesday and was widely cited as a key factor pulling the broad market lower.

The exaggerated impact of a single stock on market sentiment as a whole, coupled with the patently unjustified selling of other stocks in the same sector which had reported perfectly respectable results, give some evidence of the level of nerves in this market.

In the first three days of last week, Unisys, which reported perfectly respectable results, fell by around 11 per cent, actually underperforming IBM. Other computer stocks recorded declines of around 7 per cent to 8 per cent. As Mr Harry Tarasoff, managing director of Wertheim & Co, commented: "It is a case of throwing the baby out with the bath water."

He certainly regarded IBM's results as disappointing, particularly in the domestic market. However, he put generalised weakness in the computer sector to what he termed the equity market's schizophrenia. "One week the market concentrates on inflation, the next it's recession. Last week, it just happened to be recession," he said.

Although not everybody regards the computer sector as a leading indicator of recession, memories are still fresh of the shake-out in the computer industry in 1985 after the US economy decelerated in late 1984.

A deceleration of another kind emerged in figures published by "The British-American Deal Review", a publication associated with a newly-formed company called British American Acquisitions. Mr Mark Dixon, its managing director, describes the company as a "boutique investment bank" set up to help smaller British companies who want to make US acquisitions.

The review provides evidence of the devastating effect of October's crash on British acquisitions in the US. Purchases totalled $1.9bn in the final three months of 1987, compared with $14.9bn in the third quarter, a drop of 87.2 per cent.

In Mr Dixon's view there were two main reasons for this. The first was that the aggressive rights issues which provided much of the capital for pre-crash acquisitions were stopped in their tracks by October 19. Of the $1.9bn raised to finance US acquisitions during the third quarter last year, Mr Dixon estimates more than $1bn was left in the hands of the underwriters, evidence that the ability to raise money through the stock market was waning even before the crash.

Secondly, even companies which have the resources to finance foreign acquisitions have been hesitant to invest in the US, partly because of general concern about the US economy and partly because companies with US exposure have been given poor valuations on the stock market.

However, a very different story may well emerge. The announcement of a $4.2bn bid by Britain's BAT Industries for Farmers Group is likely to prove the first of a wave of bids by large British companies with lots of cash and low gearing who want to take advantage of cheap prices across the Atlantic. Despite the weakness of the London market since the crash, the low dollar makes US acquisitions a cheap buy.

Mr Dixon reckons British acquisitions in America could total $15bn to $20bn this year.

US companies may find it difficult to reciprocate. Apart from slashed market capitalisations, US concerns sometimes face other problems. On Friday, Atlantic Richfield, faced with the formidable obstacles put in its way by the British takeover authorities, accepted British Petroleum's offer to buy the 24.03 per cent stake in Britoil it had painstakingly built up over the last few weeks.

On the positive side of the takeover balance sheet, Sterling Drug looks triumphantly to have avoided foreign ownership in the form of Swiss drugs giant Hoffman-La Roche with the help of a fellow American, Eastman Kodak.

SOVIET GRAIN HARVEST TOPS 200M TONNES

Moscow reaps benefits of reform

BY CHARLES HODGSON IN MOSCOW

THE SOVIET UNION produced 211.3m tonnes of grain last year, the largest harvest since the bumper crop of 1978 and the fourth-biggest in the country's history.

The harvest, which is in line with previous Soviet and western estimates and follows the 210m tonne crop in 1986, represents the first time Soviet grain production has topped 200m tonnes two years running – although it falls substantially short of the 232m tonnes target for 1987.

The result will provide an important political boost for Mr Mikhail Gorbachev, the Soviet leader, who has made improvements in the country's chronic food supply a key part of his overall economic reform programme.

The Government has been hoping for a short-term breakthrough in agriculture to satisfy consumers, who will have to wait longer to benefit from the current reform of Soviet industry.

The encouraging grain figure was published at the weekend in a package of economic results that showed a slowdown in growth rates for both industrial and agricultural production last year.

Industrial production increased by 3.8 per cent to 870bn roubles ($1,469bn) while agricultural production grew by 1.8 per cent to 460bn roubles, the official news agency Tass reported.

This compares with growth rates of 4.9 per cent and 5.1 per cent for industrial and agricultural output respectively in 1986.

Tass noted that despite the improvements, consumers were still faced with serious shortages of clothing and footwear and of food staples such as meat, butter, potatoes and fresh fruit and vegetables.

The decline in world oil prices and in the value of the dollar last year led to a fall of 2.2 per cent in the volume of Soviet trade, which is heavily dependent on oil exports.

The Soviet Union relies on oil for about 60 per cent of its hard currency earnings which are used to finance imports of grain and industrial goods from the West.

Western analysts said yesterday that last year's grain harvest was all the more remarkable because of the hard winter and wet summer last year, which hampered seeding and harvesting.

Nevertheless, they said that the Soviet Union was still likely to require substantial grain imports this year, to make up for customary losses and to improve the quality of moisture-affected crops.

Mr Albert Melnikov, the deputy Soviet trade representative in the US, said last week in Washington that Moscow would need to purchase about 30m tonnes of grain abroad this year, particularly corn and soybeans for livestock feeding.

He added that despite improvements in Soviet grain production, its demand for grain would continue to exceed domestic supplies for the foreseeable future.

One western analyst estimated that the Soviet Union loses a minimum of 10 per cent of its annual grain harvest as a result of bad weather, inadequate storage and drying facilities, and careless transport.

He added that the second good crop in a row suggested that Mr Gorbachev's drive to improve the efficiency of the country's farm sector, by more rational use of fertilisers and pesticides, better seeding and harvesting techniques and more western-style management, was beginning to pay off.

Farm workers have been encouraged to form small teams, often consisting of individual families, which rent plots from the collective farms and receive added incentives and bonuses for their produce.

Senior Soviet officials have conceded, however, that the pace of improvement is still insufficient and press reports have indicated that preparations are already lagging for this year's spring grain planting.

British Liberals relieved by big vote for merger with SDP

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT, IN BLACKPOOL

LEADERS of the British Liberal and Social Democrats, relieved and encouraged by the overwhelming Liberal vote at Blackpool in favour of a merger, will today embark on a campaign designed to win decisive backing from the SDP next weekend.

The Social Democrats will meet in Sheffield to decide whether to approve the merger package – endorsed by Liberals at Blackpool by 2,099 votes to 385. But those in favour of the merger in both parties expect a rough ride at the hands of supporters of Dr David Owen, the former SDP leader.

Mr David Steel, the Liberal leader, who said yesterday that he would announce in early March whether he intends to stand for leadership of the new party, claimed that his party's own decision had sent out a clear message to the SDP.

He said the vote demonstrated the "warmth of Liberal feeling" towards their political partners and had set the scene for a positive endorsement of the package at Sheffield. He regretted the departure of a small number of Liberals opposed to merger but said they would have no electoral future on their own.

Mr Steel acknowledged that the SDP conference would be "more difficult because the divisions are greater" but he was very optimistic there would be a majority for union.

David Steel: optimistic.

Mrs Shirley Williams, the SDP president, also warned that the party's conference was "going to be a lot tougher" than had been the case for the Liberals. Dr Owen, she stressed, was a much more formidable politician than any of the anti-merger Liberals.

Mrs Williams said she was totally convinced that, without the presence of the Owen camp, the merger package would receive the required two-thirds majority. She nevertheless believed that the party would secure a big enough vote to enable the creation of the Social and Liberal Democratic party.

Immediately after the Liberal decision, Dr Owen suggested that his strategy remained unchanged. He made it clear that he and his supporters did not intend to block the merger next weekend and hoped that opposing sides within the SDP would part with mutual respect.

Even so, the SDP conference will be used by those who do not wish to merge with the Liberals as an important platform to persuade as many party members as possible to remain with the Owenite wing of the party.

The Liberal party will ballot its members next month to endorse the merger plan, with a result expected on March 3 or 4. Like the SDP, which will conduct its own ballot in the event of a "yes" vote next weekend, a simple majority will pave the way to a party launch later in March, before the local elections.

A leadership election is planned in June, July or October, depending on the time taken to establish the new party's electoral machinery.

Historic decision, Page 6

Market fall bonus for Japanese golfers

By Ian Rodger in Tokyo

THERE ARE 158 golf courses under construction in Japan and another 689 at various stages of the planning process, according to the Japan Golf Association.

At first glance, these statistics would appear to be further strong indicators of the trend to leisure that is now gathering pace in this country of workaholics. And, in a way, that is true. But, like many things in Japan, the situation is more complicated.

The main force behind the boom in Japan's golf course construction is financial speculation. Golf club memberships are tradeable securities in Japan and, until last October, the market in these memberships was rising even more quickly than the Tokyo stock market itself.

Between 1982 and early last year, the average price of a Japanese golf club membership – there is a market index based on memberships at 400 clubs – increased tenfold. Thus, most of the new courses under construction or in the planning process were designed mainly for the purpose of selling memberships.

There are a number of reasons for the huge increase in the price of memberships. In the Tokyo area, where the most dramatic increases have been seen, the equally spectacular rises in the underlying property value of the clubs has been a major factor.

Also, in the latter stages of the bull market, the speculative fever was obviously feeding on itself.

But the underlying pressure came from the gross imbalance between demand and supply. The Japanese have long been crazy about golf. They practice putting in their living rooms, they practice driving at numerous commercial driving ranges and in cages on the roofs of their blocks of flats and they unselfconsciously practice swinging while waiting for trains. However, they seldom actually play the game.

Until recently, most Japanese had neither the time nor the money to play, being stuck in a six-day working week with very short annual holidays. In the past few years this has begun to change, but there are still only 1,500 courses in the country, one for every 80,000 people. So the value of memberships had to go up.

At the peak last June, an average membership was worth Y29.4m ($230,000) on the Tokyo market, well beyond the range of the ordinary player. A membership in Koganei, the top club, was worth nearly Y500m. However, the October stock market crash has provided some hope.

Some of the clubs have had to drop their membership price from Y40m to Y25m, and strong competition may yet force them to reduce their tariffs even more.

Space project deadline for UK

BY PETER MARSH IN LONDON

BRITAIN has been given until February 10 to decide whether to join two important new European space programmes that could involve a total expenditure of about £5bn ($8.9bn) by the end of the century.

The programmes, to be carried out under the auspices of the 13-nation European Space Agency, are the Columbus manned orbiting laboratory and the Ariane-5 rocket.

The ESA nations, with the exception of Britain, decided in November to go ahead with the two programmes, together with a scheme to develop the Hermes mini-space shuttle, a small winged vehicle for taking people to and from orbit.

The ESA-imposed deadline for the decisions on Columbus and Ariane-5, comes as the British Government prepares for a report on space policy from the science and technology committee of the House of Lords, Britain's upper parliamentary chamber. The report, due to be published tomorrow, is expected to be highly critical.

In November, Mr Kenneth Clarke, the Trade and Industry Minister, ruled out the prospect of British participation in Hermes, although he indicated the UK could still join the other two schemes.

Since then he has been discussing the issue with the UK aerospace industry and other interested groups.

Any decision to join Columbus and Ariane-5 would probably result in Britain being forced to reverse its earlier stance on space spending.

The Government indicated last year that it would be highly unlikely to agree to an increase in its civilian space budget, which now stands at about £116m a year. About three-quarters of the budget is channelled to ESA programmes.

The cost of the scheme is so great that even if Britain agreed to participate in the two programmes at a fairly low level, collaboration with the rest of Europe would mean an added expenditure for the UK of several hundred million pounds over the next decade.

Airbus to consider restructuring

Continued from Page 1

the market with about 65 per cent, he said.

Although he acknowledged that negotiations between Airbus and McDonnell Douglas were difficult, Mr Martre expected some clarification of the situation in coming weeks. He added that it would be healthy for Airbus to have a manufacturing operation in the US.

Mr Adam Brown, a senior Airbus executive in charge of group strategy, also said last week that the European consortium wanted to set up an assembly line in the United States where US airlines have already placed 129 orders and options for the new Airbus A320 150-seater jetliner due to come into commercial service this year.

Airbus has been coming under increasing pressure from European governments to consider collaboration, especially on a stretched version of the A320, to ease the mounting tensions between the US and the EC.

Mr Martre also said that in the longer term an ideal area of collaboration between Airbus and McDonnell Douglas would be a new long-range jumbo jet Boeing 747.

He acknowledged, however, that such a project was not being planned and would require considerable funding which was not available.

Mr Martre also confirmed that Aerospatiale and Dassault-Breguet, the French military aircraft manufacturer, were discussing an accord whereby Aerospatiale would entrust part of its Airbus production to Dassault.

This would provide work for Dassault which is suffering from a slump in military aircraft export orders.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	12	54	Dubrovnik	R	10	50	Malta	F	15	59	Rhodes	R	11	52
Algiers	F	17	63	Edinburgh	R	4	39	Manchester	C	8	46	Rio de J'o	-	—	—
Amsterdam	C	10	50	Faro	C	12	[illegible]	Manila	S	32	91	Rome	C	10	50
Athens	C	10	50	Florence	R	7	45	Melbourne	C	30	86	Salzburg	R	1	34
Bahrain	R	21	70	Frankfurt	R	8	47	Mexico City	C	23	73	San Francisco	R	10	50
Bangkok	F	33	91	Funchal	F	16	61	Miami	C	15	59	Seoul	R	-5	23
Barcelona	F	14	57	Geneva	D	5	41	Milan	S	8	46	Singapore	F	31	88
Beirut	-	—	—	Gibraltar	F	15	59	Montreal	C	-4	25	Stockholm	C	0	32
Belfast	R	6	43	Glasgow	R	5	41	Moscow	R	-15	5	Strasbourg	C	8	46
Belgrade	Sn	1	34	Guernsey	F	10	50	Munich	R	3	37	Sydney	C	21	70
Berlin	Sn	2	36	Helsinki	Sn	-5	23	Nairobi	F	28	82	Taipei	C	14	57
Biarritz	R	15	59	H. Kong	C	16	61	Naples	F	8	46	Tangier	C	15	59
Bombay	R	29	85	Innsbruck	F	1	34	Nassau	C	23	73	Tel Aviv	R	17	63
Bordeaux	C	12	54	Inverness	R	4	39	New Delhi	R	16	61	Tenerife	C	18	64
Brussels	F	11	52	Islamabad	F	18	64	New York	S	-1	30	Tokyo	F	8	46
Budapest	C	8	[illegible]	Istanbul	C	5	41	Nice	S	13	55	Toronto	Sn	0	32
B. Aires	C	23	73	Jakarta	R	30	86	Nicosia	R	12	54	Tunis	C	14	57
Cairo	R	18	64	Jersey	F	10	50	Oporto	R	13	55	Valencia	F	15	59
Cape Town	R	21	70	Jo'burg	R	26	79	Oslo	C	-1	30	Venice	F	6	43
Caracas	F	25	77	Lima	-	—	—	Paris	C	12	54	Vienna	C	3	37
Casablanca	C	10	50	Lisbon	C	15	59	Peking	S	-4	25	Warsaw	Sn	-2	28
Chicago	Sn	-7	19	London	C	10	50	Prague	Sn	-1	30	Washington	S	0	32
Cologne	C	8	46	Los Angeles	F	9	48	Reykjavik	S	-10	14	Zurich	C	8	46
Copenhagen	C	2	36	Luxembourg	R	6	43								
Corfu	F	14	57	Madrid	C	11	52								
Dallas	F	7	45	Majorca	F	16	61								
Dublin	F	8	46	Malaga	F	15	59								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Britoil

Continued from Page 1

but declined to disclose their identities. He said that they included both UK and overseas companies.

Atlantic Richfield's declared intention to accept BP's 580p offer is not irrevocable and, under the Takeover Code, the US oil group cannot sell its shares to BP until after the first closing date for the initial offer (February 4).

Mr Walker confirmed yesterday that he had spoken to Mr Lodwrick Cook, Arco's chairman and chief executive, on Friday. "He said that he was willing to take a call from anyone who was interested", said Mr Walker. Arco is already showing a handsome profit on its Britoil stake, having purchased when the shares were trading between 350p and 450p.

The Britoil camp had previously seen Arco as a possible "white knight" solution and says it was only after getting wind of "what might be going on" in the middle of last week that the search for another rival suitor began.

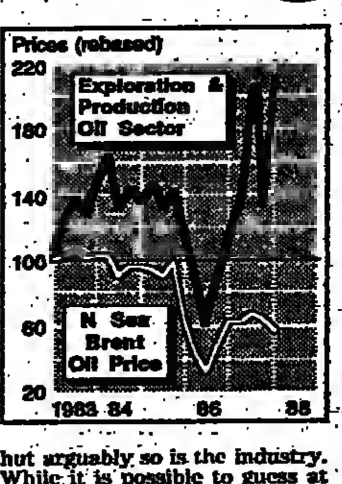
Among the most strongly rumoured candidates is British Gas – which yesterday declined to comment

THE LEX COLUMN

The North Sea numbers game

Investors are used to being chastised by independent oil companies for not understanding them well enough. They can hardly be blamed after last week's rival asset valuations produced in the sector's two bid battles.

A comparison between the 187p which the market thought Britoil was worth last month and the company's latest 699p asset valuation might suggest that the short-sighted stock-market is simply not capable of focusing on the same target as the long-sighted oil industry. Yet the two rival industry valuations for Tricentrol's shares, showing 80p on one, rendering and 234p on another, indicate that the problem runs deeper than that.



The stock market's usual kit of tools simply does not work for independent oil companies. Their earnings, after all, are mere shavings from a wasting asset, and in any case are not calculated on a consistent basis throughout the industry. Balance sheet values, which tell how much has been spent on finding and developing a field but not what it is worth, are no use either.

By comparison, the industry's own tool of discounting to present value the stream of future cash flows has much to recommend it. It establishes an intelligible value for each company, and allows one to be compared to another. Although the market pays lip service to discounted cash flow valuation it has been inconsistent in its application, and shares have tended to move on rumour and oil market sentiment, or have merely tracked the stock market. The sector's perverse underperformance during the crash pushed asset and stock market values so far apart that BP and Elf found targets for which they were prepared to offer double the market price.

Although discounted cash flow might be the best tool available it is not ideal. In particular, when oil prices are very volatile the value of a long-term asset swings about accordingly, since the starting point for the valuation is today's spot price. Moreover, as this week's valuations showed, there is so much room for disagreement on the underlying facts, the assumptions and the methodology, that any single figure must be regarded as mainly fudge. The calculation involves complex guesses not just about how much oil is in place, but about future oil prices and interest rates.

On the first, the City of London is particularly poor at coming up with a sensible number, but arguably so is the industry. While it is possible to guess at oil production from commercial discoveries with tolerable accuracy, estimates of reserves yet to be found or developed may well be worthless. To exclude them from a valuation might be to ignore a large part of the value of the whole, whereas to attach an exact number to undiscovered oil is to give it a precision it does not deserve. Asset values further depend on whether the valuation model allows for full taxation or not – a difference which may explain the rival asset values produced for Tricentrol.

But even if everybody could agree on a single number, there is no reason why a bidder should be held by it, if only because asset values say nothing of the ability of management to replace them. On the one hand, if the two companies combined are more tax efficient and have a better geographical balance and a smoother production curve – as seems to be the case with the Elf/Tricentrol match – mere asset value might look a bargain. On the other, if the bidder feels that every last jot has been squeezed from the value of the undiscovered oil and there is no obvious synergy, it might well regard asset value as leaving nothing over for itself.

Nedlloyd

The corporate raider is alive and well and living on the Continent. One week after Mr Carlo De Benedetti's bid for control of Société Générale de Belgique threw the Belgian financial establishment into turmoil, their Dutch neighbours are bracing themselves for a similar battle today, when Nedlloyd, one of the members of the European shipping establishment, seeks shareholder permission for a Fl 175m cumulative preferred share issue.

On close inspection, the issue, which Nedlloyd plans to place with four friendly Dutch financial institutions, looks dangerously like a shark repellent or poison pill, to use Wall Street jargon. It has incensed several powerful foreign shareholders partly because Nedlloyd, in common with some other companies, has a peculiar maximum voting structure which means that an owner of 120 shares is just as influential as an owner of 120,000 shares. The idea of one share, one vote, is not a high corporate priority on the Continent, it seems.

Nedlloyd, which in terms of assets is slightly larger than Trafalgar House and sports an annual turnover equivalent to £1.2bn a year, has been facing the same problems which have affected all well-run European shipping companies ranging from Hapag-Lloyd to P & O. Its costs are mainly in hard currency, its revenues are mostly in depreciating dollars, and its efforts to reduce its dependence on shipping have met with mixed success. In addition, it has an extra problem in that it has recently acquired a substantial Norwegian shareholder who is full of tips on how Nedlloyd can improve its performance. His appearance on the scene has led to a jump of more than 40 per cent in Nedlloyd's share price over the last month.

Most Continental European companies are not in the habit of accepting unsolicited outside advice from corporate raiders, and Nedlloyd's response has not been ecstatic. First, it showed the Norwegians the exit. Then it announced plans to put its house in order by writing down the value of its fleet by Fl 1bn, or 40 per cent, and it proposed repairing its balance sheet with a Fl 175m preferred share issue. Although this is a relatively cheap form of finance, it will not make much impact on Nedlloyd's Fl 1.5bn of long-term borrowings.

In addition, the owners of Nedlloyd's outstanding 3½m ordinary shares, who have seen the value of their shares and their dividend fall sharply over the last five years, must be wondering why they are not being offered the opportunity to subscribe for the 3½m cumulative preferred shares, which carry a 5.9 per cent dividend. Nedlloyd insists that there has been no attempt to structure the preferred share issue as a defensive mechanism, and the voting rights will be limited to the maximum 120 votes. However, this might not always hold true and today's meeting could give an indication of whether shareholder democracy is starting to take hold in Holland.

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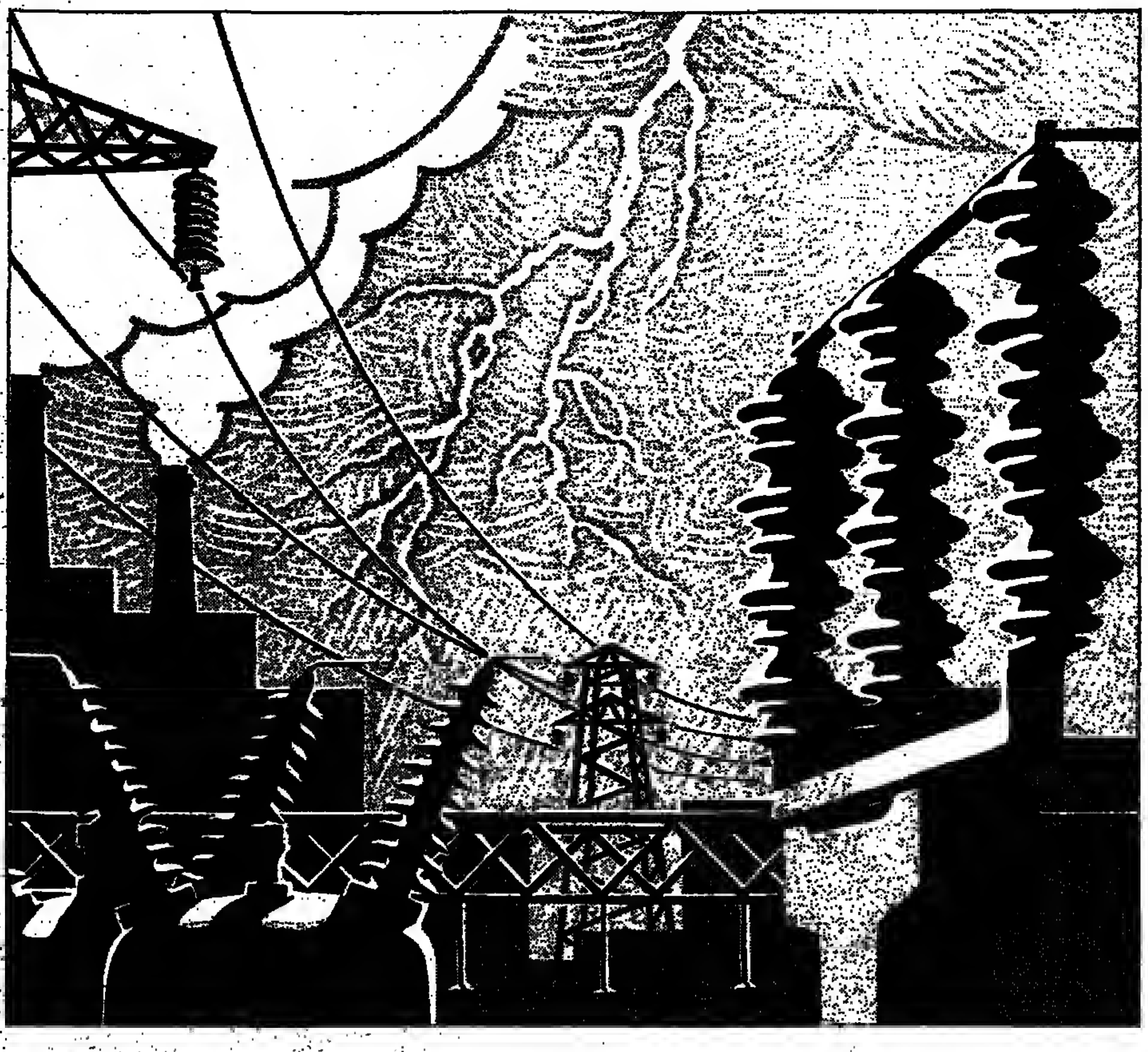
SECTION III

FINANCIAL TIMES SURVEY



The Electricity Industry

CONTENTS

Illustration by David Worth

As electricity continues to enjoy an increasing share of the energy market, calls for changes in the structure and status of the industry in Britain and abroad are generating as much controversy as the familiar issues of nuclear safety and pollution, reports Maurice Samuelson

Changing the power game

LARGE parts of last year's FT's electricity industry survey were written on old-fashioned typewriters. In today's issue, every letter has been written and edited on electric-powered word processors.

The change, part of the revolution in communications technology, highlights a constant trend in the energy market - the ever widening applications for electrical or electronic equipment. New homes and other buildings are more likely than not to be heated by electricity and kitchens without a microwave cooker are becoming a rarity.

Such trends are contributing to electricity's steadily bigger share of the final energy used in Western industrialised countries. A quarter of a century ago, electricity accounted for 9 per cent of final energy use. To-day it is 16 per cent and forecasters say it could go up to 20 per cent over the next 25 years.

Power stations are themselves giant users of energy. They use no less than a third of all the coal, oil, gas and nuclear fuel used in the Western industrialised countries. The rising electricity demand is also at sharp variance with the otherwise sluggish energy market. Among members of the Organisation for Economic Cooperation and Development, while total energy consumption has been flat since 1973, demand for electricity has soared by 41 per cent.

Behind the trends lie wider economic and industrial changes - conversion to electrical processes because of their efficiency and cleanliness and the post-recession rise of new service industries, which tend to be electricity intensive.

New applications for electricity are matched by changes in its production and transmission, coinciding in Britain with the profound, and enormously complex, debate about privatising and restructuring the industry.

While phasing oot oil-fired power stations, electricity producers have opted for two main alternatives: nuclear fuel and coal.

Britain, with her large coal reserves, will continue to be mainly dependent on coal. After lengthy delays, however, work has commenced on the controversial pressurised water reactor station at Sizewell, Suffolk. It is part of a strategic effort to raise the nuclear element of geoerating capacity from about 20 per cent to more than 30 per cent over the next 20 or 30 years.

However, future UK power station construction plans are temporarily clouded by the debate over privatisation. Althoogb the Government is committed to increasing nuclear capacity, it is not yet clear how this will be achieved if a privately-run generating industry decides that nuclear stations are less economic than coal.

Eovironmentally, both choices carry stern health warnings: most couotries' nuclear building programmes, already inhibited by safety considerations, were dealt a further blow in April 1986 by the disaster at Chernobyl in the Soviet Union. Even so, nuclear power is here to stay judging by the existence of some 400 nuclear stations in 26 countries with a fuel consumption equalling 13 per cent of current world oil production.

France, which rapidly embraced nuclear power in the wake of the early 1970s oil crisis, is now oearly 70 per cent dependent oo this form of power. It is aiming for 80 per cent dependence by the end of the ceotury, outwardly confident that Chernobyl-type disasters can be avoided.

Coal, while benign in comparison with nuclear power, also arouses environmeotal concern because of the sulphur and nitrogen emissions from power stations which are blamed for "acid rain" damage to trees, plants, lakes and buildings. Despite the automatic drop in sulphur emissions resulting from the switch from oil to coal, there is an impressive international consensus in favour of cleaning the smoke from coal-fired power stations, even though this could raise generating costs significantly.

After moch foot-dragging, Britain's electricity industry says it will spend £1bn to reduce snlphor and nitrogen pollution. But the Scandinavian countries which involuntarily "import" Britain's pollotioo complain that the programme is too slow and too limited and compares oufavourably with those of West Germany, Japan and the US.

Their complaints are quietly endorsed by plant manufacturers, suffering from a prolonged recession in new power station orders, who see the clean up programme as a valuable addition to their mainstream business.

Pollution difficulties could force coal to lose some of its power station market to much cleaner natural gas. In Europe, only 6 per cent of electricity is generated by natural gas. But it has been estimated that this could treble in the next 20 years with increased use of combined-cycle generators, which are much more efficient than either coal or conventional gas burners.

The combined cycle equipment, which has been recently commercialised, extracts electrical energy from two different processes in a single system - a gas turbine geoerator and a conventional steam turbine, powered by the gas turbine's waste heat.

In electricity transmission, a key development is the growing trade across national borders. Sizeable power flows take place between Canada and the US and in Europe there are exchanges between groops of countries stretching from the Baltic to the Adriatic and from the Atlantic to the Urals.

Against this background of international cooperatioo in electricity supply, the plans to privatise the industry in Britain invite searching comparisons with those of other countries.

Advocates of radical reform single out positive features in other countries which, they say, would benefit Britain. Defenders of the status quo claim that the British system is the envy of the world, to which others turn for guidance.

As the debate goes on, however, it centres less on the narrow issue of privatisation than the way the industry is structured, confirming the view of a recent International Energy Agency survey, that from the point of view of efficiency there are no grounds for thinking either form of ownership is inherently superior or inferior.

In Spain and the Netherlands, the Governments are trying to extend their control over the industry; in Portugal and Austria, Governments are retreating in the direction of decentralisation and, in Austria, towards limited privatisation.

In West Germany, the Government is trying to break the power of the major utilities by ending long-standing concession agreements which carve up the country's electricity market. It also wants to open the door to private industrial companies which operate their own power stations and to other private generators.

The US is freqoently described as an exemplar for making British electricity more competitive, for example by taking control of the grid system out of the hands of the generating industry.

This is not the view of a leading authority oo US electricity. Professor Richard Schmalensee, of the Massachusetts Institute of Technology, claims that the US power industry is by no means the model of competition it is claimed to be and is not a blueprint for radical change. Although it has undergoue some structural changes, he adds, competition has played only a very limited role. Moreover, any changes have been evolutionary rather than revolutionary.

In Britain, too, the industry has developed over many years along evolutionary lines, rather than through radical Government interventions. This has enabled the CEGB to develop what it claims is a total and unique integration between power stations and its bulk distribution system, the National Grid. The CEGB argues - amid signs that politicians reluctantly agree - that to cut that link would be a surgical operation which would do the patient more harm than good.

Nevertheless, in Britain, as in Europe, there is a feeling that whatever the political party in power, the electricity industry has long been ripe for reform. There is almost unanimous acclaim for the industry's record of reliability, which reached a triumphant peak during the year-long siege of power stations by the National Unioo of Mineworkers.

UK electricity prices are, it is widely accepted, lower than in many other industrialised countries and they have further benefitted from the improving efficiency of British Coal. But the industry has accumulated a long list of criticisms:-

□ over the imbalance between the monolithic CEGB and the theoretically independent area distribution boards;

□ power engineers' tendency to regard big as beautiful and alleged failure to embrace innovative ways of fuel combustion;

□ vacillation between different kinds of ouclear technology;

□ the slowness in installing pollution controls;

□ the extent of dependence on British coal.

□ private generators' difficulties in gaining access to the National Grid.

From abroad, too, British electricity is under close attention. The International Energy Agency, in its 1985 survey of member countries, found that UK tariff levels and structures were well designed to promote efficient use of electricity, but that there was room for further measures to promote efficiency.

The Agency, whose main role is to encourage less reliance on oil, also made two other points: that the UK's ouclear programme should be further developed, and that the industry's organisation should be made more effective. With the authorisation of Sizewell, the first point is being met. The second may be dealt with during privatisatioo.

Max Wilkinson explains the key dimensions of the UK electricity privatisation debate

The political posers for Mr Parkinson

THE GREAT debate nn how to privatise the British electricity industry has nffered an extraordinary spectacle nf intellectual pugilism only partly shuttered from the public gaze.

In the early rounds last summer, when Mr Cecil Parkinson, the Energy Secretary, stated that he had an npen mind, the industry hnped that hidden persuasion would be its best policy. However, in numerous speeches, television appearances and briefings, the new Energy Secretary made it clear that he was not keen on a cosy private deal with the industry along the lines pioneered by his predecessor, Mr Peter Walker, with British Gas.

Mr Parkinson said he wanted to introduce more competition, though to what extent and in what guise remains unclear. Deeply alarmed that this might require its nwn dismemberment, the Central Electricity Generating Board started fighting in earnest, first through private lobbying and then as the autumn wore on, by increasingly pointed speeches and public statements.

The old rivalries of the industry were soon in the open. The Electricity Council, which had long desired power commensurate with its status as the head of the industry, saw a chance to outflank the CEGB while changing its insignia. The 12 area distribution boards, which have fretted under the dominance nf the Council and the Board, saw a chance of greater independence. The CEGB, meanwhile maintained a sturdy defence of a slightly modified status quo.

The centre nf dispute between these factions is control of the national transmission grid, whose headquarters near Southwark Bridge in London, acts essentially as the control room for the whole industry south of Scotland. The CEGB was fairly successful in getting across its message that the grid is much more complex than more naive purveyors of competitive models had suggested – mainly because of its dynamic relationship to the economics and security of the system as a whole.

The industry always understood that the contrnllers of the grid would retain great influence over the management of power plant. Even if power atations were switched in and out of the grid in response to a spot market and a network of longer term contracts, the grid controller would still have to override the market whenever the system's integrity were threatened.

Because of this central concern with security, the grid company would probably have an important role deciding the strategic need for new power stations, and under some schemes would let the contracts to competing private generating companies.

Predictably, therefnre, the CEGB has said the grid must remain part of an integrated national system, while the Electricity Council wants it to be given to the distribution companies which its privatised successor would own. The area boards seem keener on the third main alternative – joint ownership of the grid.

Since the distribution companies will remain as natural monopolies, few have suggested that existing power stations should be handed over to them. Most proposals for increasing diversity have therefore centred on the idea of breaking up the CEGB's generating activities into perhaps four competing companies, selling to between four and 12 distribution companies through an independent or jointly-owned grid. Although this undonbtedly accords with Mr Parkinson'e general vision of a free market, be has been forced to wrestle with several serious difficulties. The first three are political:

□ A radical break-up would take time fnr consultation, the allocation of £37bn of assets, the establishment of new management and corporate track records, and the sale of perhaps a dozen separate companies. The Cabinet, however, wants action this Parliament, despite disclaimers.

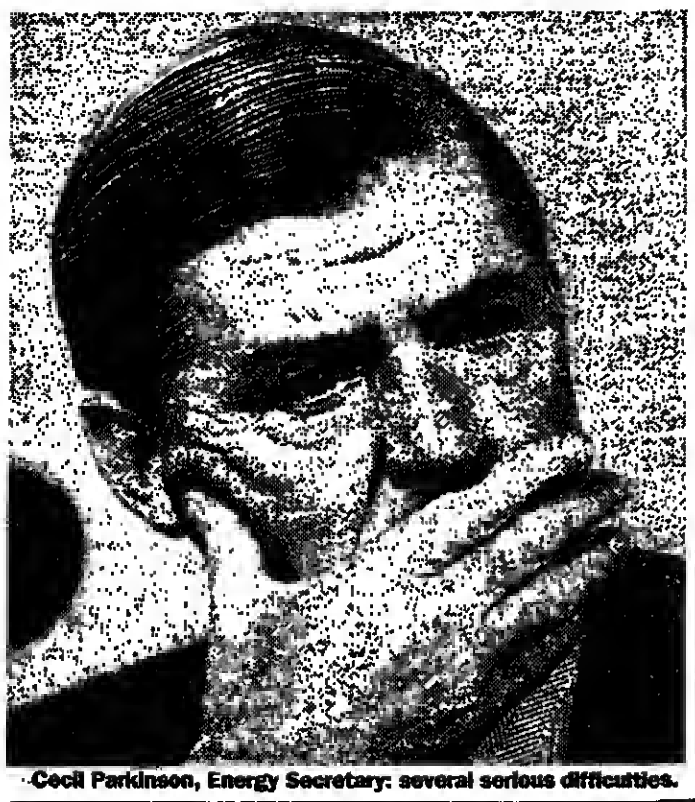
□ The Government's commitment to develop nuclear power is seen as incompatible with the more radical break-up options, both because of public anxieties about safety and the presumed unwillingness of small private sector companies to take on nuclear risks. A privatised CEGB, howaver might be leant upon...

□ Fear of provoking the power unions, which, though quiescent, have opposed a break-np and potentially wield more power than miners.

A subtler, but equally important practical difficulty is to find a way to combine competition between generators witb effective regulation and an obligation for the industry to meet all expected demand. Even if this obligation and the regulations were laid upon the distribution companies, generating companies wnuld be closely affected.

This is because the regulations would almost certainly allow distributors to pass on their unavoidable costs, as happens in the gas industry now. But electricity costs depend much more on the mix of fuel prices and capital expenditure than is the case with gas. If the regulator allowed all fuel costs to be passed on, generating companies would act against consumers' interests by building the cheapest power plant even if high fuel costs, made them uneconomic.

In assessing tbe distributors' allowable input costs, tberefore, the regulator must assess capital expenditures and whether they were prudently incurred, in relation to present and expected future demand, national security needs and any constraints of the grid. Therefore, if the regulator is to be effective, he will also have a crucial influence on the economics of a privatised power market. Amid these conflicting pressures, Mr Parkinson will need great skill to pick a compromise which displeases the least number of powerful lobbies and at the same time provides demonstrable benefits for the consumer



Cecil Parkinson, Energy Secretary: several serious difficulties.

Colin Robinson & Allen Sykes argue CEGB break-up is best for...

Safeguard of the consumer

MINISTERS ARE reported still to have open minds about the form of electricity privatisation. Minds cannot, however, remain open for much longer, if there is to be a privatisation Bill ready for the next Parliamentary session.

Reports also indicate that the CEGB's heavy pressure on the Department of Energy is beginning to tell. Relatively modest proposals to inject competition into the industry by breaking up the CEGB into a number of competing units (which come nowhere near economists ideal competitive models) are now being labelled "extreme free market solutions". And it is being argued that only a GEGB which remains intact after privatisation can be trusted to run safely and effectively the nuclear power programme which the government apparently wants.

All this is reminiscent of the later stages of the very brief debate about gas privatisation. In that case, British Gas triumphed. It achieved a form of privatisation uniquely favourable to its management which permitted large increases in salaries, removed Treasury interference in its affairs and all without the tiresome intrusion of competitors.

Whether it was a case of capture of the Energy Department by British Gas' management, or whether the perceived interests of managers, civil servants and politicians coincided is unclear. But certainly, the consumers' interests were almost totally disregarded.

Electricity supply management cannot be blamed for wanting to emulate the gasmen. But if the government does permit another monopoly privatisation scheme to go ahead, it will set the privatisation programme on an illiberal course which will be extremely difficult ever to alter. What is more, it will probably lose votes; the activities of private monopolies are not popular with consumers, as rising discontent with the activities of British Gas and British Telecom demonstrates. There is no reason why consumers should tolerate high prices and poor service from organisations which, they were assured, were privatised in the interests of efficiency and responsiveness to customer needs.

If reports are to be believed, a presently favoured scheme for electricity supply would keep the CEGB whole but would encourage competition to build and operate the 12GW or so (the estimate is highly uncertain) of new capacity which may be needed by the end of the century. This scheme is a typical example of one which gives the appearance of promoting competition but which would most probably be completely ineffective. Its evident appeal to government may well be that it does give such an appearance and that it will be a number of years before its ineffectiveness is established.

The essential deficiency of the scheme is that it fails to deal with the sources of monopoly power in electricity which have at least five roots:

□ First, there is power in the product market which arises because about 60 per cent of electricity sales are into areas where there is no close substitute.

□ Second, there is the information monopoly which exists primarily because the CEGB has most of the information about electricity generation and transmission in Britain; the CEGB has used that monopoly to the full in lobbying, especially in its attempts to persuade government of the dire consequences of splitting up generation or even separating transmission from generation.

□ Third, there are monopolistic practices in the labour market, encouraged by the minimal efficiency pressures which exist in a cost-plus industry.

□ Fourth, there are cosy arrangements with British Coal and the generating plant manufacturers (partly under government encouragement) which again are a function of the cost-plus nature of the industry.

□ Finally, there is the political power which results from the other monopolistic elements.

Only a break-up of the CEGB would disturb all these sources of monopoly. A scheme which tried to introduce competition gradually by allowing other private companies to build, own and operate new power stations would hardly touch them. Private companies would perceive very high risks in bidding against a privatised, strong incumbent CEGB, with an existing system, a high proportion of its costs sunk and with considerable ability to cross-subsidise.

Moreover, some potential competitors (such as generating plant manufacturers) would be inhibited by continued dependence on the privatised CEGB for business. Of course, the Board could be prohibited from bidding so that it withered away in the course of time. But such a policy would bring in competition only very slowly; perhaps 10 per cent of British generating capacity might be in new private hands by the end of the century. Furthermore, it would prove very difficult to enforce since the CEGB's information monopoly would remain essentially intact for many years and it would continually lobby for the right to bid.

Another very serious drawback to the scheme, as to proposals to establish a mini-competitor for a privatised CEGB, is that they would not permit a liberal scheme of privatisation for British Coal. A dominant private generator, providing a market for most of the coal produced in Britain, would be an enormous deterrent to private investment in the British coal industry. If the CEGB remains intact, British Coal will also have to be privatised intact.

The government's programme of "structural" change in energy would thus result by the 1990s in the substitution of three private energy monopolies for three state energy monopolies. No reasonable person could justify so much upheaval and the expenditure of so much consultative and Parliamentary time to bring forth such minimal change.

There are two possible ways forward. One is to stand up to the CEGB, insisting on genuine competition by breaking it up, over a transition period, into a number of competing companies and making available for purchase by private investors existing mothballed stations. Power transmission and distribution would each be regulated.

The other is to accept at face value the Board's arguments that it should not be broken up and to draw the logical conclusion that it should be left as a nationalised corporation. This second alternative is unsatisfactory, but probably less so than setting loose another private cost-plus monopoly ineffectively shackled by a regulatory regime which, assuming some form of rate-of-return regulation, would give a strong financial incentive to over-invest.

If the CEGB must, as it claims, for technical reasons remain intact and it wishes to be the trustee of our nuclear programme it should surely remain nationalised. It should also, given its public policy role, be subject to much stricter government control and direction than in the past.

Colin Robinson is Professor of Economics at the University of Surrey. Allen Sykes is a managing director of Consolidated Gold Fields.

Trade union view

"Intolerable contradictions"

John Lyons, General Secretary of the Engineers and Managers Association: the public and industry are going to have to pay for privatisation through higher electricity prices

IT WASN'T long after he had taken up office that Mr Cecil Parkinson, Energy Secretary, found (as he acknowledged to Parliament on November 6) that Britain's electricity prices were nearly the lowest in Europe, and much lower than those of Germany, America or Japan.

Those happen to be the three countries in which privatised or eemi-privatised electricity is dominant, and which are most often quoted as comparisons of which we should take heed. Against this background it is therefore not surprising that Mr. Parkinson has so far been unable to tell anyone what quantifiable benefits privatisation is supposed to yield for electricity customers.

That task was made doubly difficult when he announced he was increasing the rate nf return required on the industry's assets, which will push up tariffs by 15 per cent within eighteen months.

Justifying this move, Mr Parkinson said recently: "If you trust competition you have to make it possible for competitors to enter the business". In other words, the public at large, and industry in particular, is going to have to pay for privatisation through higher electricity prices.

Mr. Parkinson also has to contend with pressure from many backbench Conservative MPs – who will not tolerate a repeat of the Government's "failure" to introduce serious competition to the privatised gas and telecom companies – and from certain economic theorists who are urging him to dismantle the CEGB into competitive companies. However they all ignore the fact that nowhere in the world is free market competition between generating companies allowed, let alone practised. This is because no society, and hence no Government, is prepared to risk avoidable supply failures.

Nowhere in the world is free competition between generating companies allowed

Mr. Parkinson cannot therefore introduce free market competition into our generating system either economically or safely. He now has the publicly proferred advice of the CEGB to that effect. The Board argues – I believe rightly – that to try and introduce full competition into generation would lead to higher electricity tariffs, and that to separate control of the national grid from control of the country's major generator would lead to a greater chance of a severe interruption to the reliability of electricity supply. It will surely be a hazardous decision to ignore that advice.

As if these problems are not enough, Mr Parkinson is also required to privatise the distribution side of the industry, which even the most ardent privatisers accept to be a natural monopoly, and he has to introduce an effective and fair regulatory system. This will have to be much more detailed than for telecoms or gas, but must not introduce back-seat management or disadvantage electricity in relation to gas, which is its chief competitor.

But I haven't mentioned Mr. Parkinson's two largest practical problems.

The first has been largely overlooked in public discussion up to now. It is the difficulty of getting much-needed new power stations built – about 7000MW in the next seven years – while the industry is being set up for privatisation over a similar time span.

If the safety of the public and the industry's staff is to be safeguarded, the Planning Inspectors conducting public inquiries into any proposed power station (nuclear or conventional) may well require definitive answers to the following questions before reaching any conclusion: Who will own and run the finished station? What will their resources be? What safety requirements will be placed on them and what will be the corporate safety culture of the new owners?

It must therefore be uncertain whether planning permission will be granted for any of the new power stations which the country urgently needs while the outcome of privatisation remains unknown.

The second is the nuclear problem. The Government's general election manifesto commitment is to ensure "abundant, low-cost supplies of nuclear electricity."

Yet it is widely agreed that privatising the generating boards is likely to bring this country's future nuclear power programme grinding to a halt.

Firstly, there is the hassle factor. However economic, civil nuclear power has to face a number of fanatical opponents who will use every device available to stop the construction and operation of more nuclear power stations. Whereas a public organisation such as the CEGB can cope with this (but not without difficulty) a private organisation would be much more vulnerable. In addition, nuclear power is highly capital intensive and the pay-back does not occur until many years after the investment is made. For these reasons, there will be other investments which private electricity companies will prefer to make before they invest in nuclear power.

It is to overcome these problems that Mr. Parkinson has presumably floated the idea that private generators will have to produce a proportion of power from nuclear fuel as part of their licence. But this is a difficult proposition to sustain. Given continuing public scepticism about nuclear power, thrusting it down the country's throat by such a clumsy device can only increase opposition, and thus increase the financial risks to potential investors.

So where does Mr. Parkinson go if he is to honour the stronger of his party's two Manifesto commitments, which is to promote nuclear power?

Since Mr. Parkinson did not write the Conservative manifesto, he is not to be blamed for the intolerable contradictions with which he now finds himself faced. If he felt he could carry it off he might well think he should advise the Prime Minister that the whole idea of privatising electricity should be scrapped, which is what I would advocate.

But that is almost certainly too much to expect him to do. Failing that however, he should at least slow down. Decisions about the future structure of the industry should not be rushed. The issues are too complex and too fundamental to the country's economic and social well-being. His best course is to prepare a Green Paper in which he can lay down the various options (including retaining the industry in the public sector), outline the conflicting arguments, and invite an informed public discussion on the involved and far-reaching problems. In my opinion, nothing less will do.

John Lyons

The author is General Secretary of the Engineers' and Managers' Association

CEGB is warning that its break-up with privatisation could bring a return of power blackouts

Proud past harnessed to defend the future

THE ELECTRICITY industry cherishes its history. While many manufacturing industries have declined or disappeared, electricity has been thriving on ecooomic change, playing an ever more essential role in society. It can therefore look at its past with pride, rather than sorrow.

Two years ago, the 50th anniversary of Britain's National Grid was celebrated with pomp and style by the Central Electricity Generating Board. It was an occasion for self-congratulation by an organisation which, in the year-long miners' strike, had just helped to foil the most protracted threat to power supplies since Hitler's blitz, thereby helping, it transpired later, to ensure Mrs Margaret Thatcher's hat-trick of general election victories.

On the first day of 1988, the industry passed another milestone – the 30th anniversary of the formation of the Central Electricity Generating Board, the integrated entity which generates and transmits the bulk of Britain's power.

"Privatisation must not put at risk the benefits in terms of cost and supply security, that consumers gain from an integrated system"

Like the Jubilee of the Grid the Board's 30th birthday should have been a day for carefree jollification. Instead, celebrations were muted by anxieties about the CEGB's future under a privatised electricity industry.

Having evolved towards ever increasing centralisation and integration, the CEGB knew that politicians and their advisers were seriously considering reversing this process by breaking it, together with area distribution boards and the two Scottish otilities, into rival generating companies. Most disconcerting was the prospect of no longer owning the National Grid.

Lord Marshall, the CEGB's chairman, marked the anniversary, therefore, with a thinly-veiled warning that a wrongly conceived privatisation programme could lead to blackouts reminiscent of the bad old days. Privatisation, he said, "should not put at risk the benefits, in terms of cost and security of supply, that consumers gain from the Board's integrated power system."

This time, he and his senior colleagues evoked the past not out of pride but to justify the way the electricity distribution system has evolved and to caution against drastic departures from the status quo.

In statistical terms, the record is indeed spectacular, although the trend is mirrored in most other developed countries. In the 30 years of the CEGB's existence:

- electricity sales have increased by 175 per cent;
- maximum output capacity has risen by 123 per cent;
- the number of power stations has fallen from 238 to 78;
- the workforce has dropped by 11 per cent;
- electricity sales per employee have increased by 206 per cent.

But these are all quantitative achievements, which are easy to enumerate. The CEGB is finding it harder to explain the complicated, technical changes which the system has undergone in the past three decades, amounting to a qualitative transformation in the link between generation and transmission.

Gil Blackman, deputy chairman, puts it bluntly: "We cannot operate the present system without also having operational control of the grid." He scoffs at some of his former colleagues who take the contrary view, saying some of them have "never been near a distribution control room", like the CEGB's nerve centre at Bankside, London.

A veteran power station manager, Blackman was in at the beginning of the CEGB and recalls the days of its much more federated precursor, the Central Electricity Board (CEB), which had been formed out of a collection of regional electricity companies.

The grid inherited from the CEB 30 years ago was a "trading grid", in which different parts of the country bought and sold marginal power. At that time, most of the electricity was distributed and consumed in the areas where it was produced, and only 5 per cent went through the national high voltage lines to other parts of the country.

Under the CEGB, the distribution system was gradually transformed into a "generating grid," designed for long-distance transmission of electricity from the big new power stations built on the coalfields rather than at sites close to the main electricity markets.

In a programme resembling the building of the motorways, the CEGB superimposed on the old 132 kilvolt "roads" a oew "super-grid" of 400 kv and 275kv lines, handing over much of the 132kv cables to the 12 area distribution boards of England and Wales.

The 400kv lines transport the electricity over long distances from the coal-burning stations in the North and Midlands; the 275kv lines include the "ring-roads" delivering power into the cities.

All this, says Blackman, adds up to a "totally integrated system" in which 90 per cent of the electricity is supplied directly into the long-distance supergrid. "It is based on a single management entity and you cannot unpick it".

Cecil Parkinson had recently promised not to "take an axe" to the National Grid.

But rather than being assured by such a statement, Blackman evinced astonishment that such an idea might have ever been seriously eotertained. He is, therefore, cautiously confident that the changes in the status of the National Grid would be little more than cosmetic and that "operational control" of it would be left in the hands of the generating arm (or arms) of the industry.

That, however, will bring no joy to those who regard the CEGB's control of the grid as the bulwark of its monopoly power. They include Sir Philip Jones, chairman of the Electricity Council, the industry's umbrella body, who talks of the distribution side of the industry being able to "influence" the way the grid is run, possibly in a joint venture.

While the CEGB argues from its own experience, the advocates of a shared grid point to the experience in other countries to advance their arguments. In Sweden, for example, the Government power company Vattenfall officially owns the grid but as it is only one of several generating utiiities it allows ali major suppliers to use it within the framework of a power pool. The pool operates as an electricity market.

Alex Henney, the former chairman of the Londoo Electricity Consumers Council, advocates a separate transmission and control company which would be owned on a mutual basis by the distribution companies. It wouid own the grid, despatch control and the CEGB's large hydro-electric pumped storage plants in North Wales.

In "Privatise Power", published last year by the Centre for Policy Studies, he proposes that the transmission company woold have a statutory duty not to discriminate against any generator or distribution company; and would set the rules requiring distributioo companies to meet standards.

It would also:

□ despatch generating sets in merit order based opon price offers of marginal operating costs;

□ implement a spot market in electricity and bill the generating and distribution companies for the interchanges;

□ and have a duty to develop the transmission system.

His general assessment of the CEGB's record is far different from that presented by the CEGB itself. He accuses it of being inefficient, inflexible and secretive, even towards its notional umbrella body, the Electricity Council, and of having a poor plant ordering record.

The CEGB's arguments about controlling the grid are also questioned in "Power on the Market", a FT Business Information study of privatisation options by Andrew Holmes, John Chesshire and Steve Thomas. Their doubts also apply to the CEGB's whole policy of going for ever larger generating stations.

"In technological terms, there is increasing evidence that large-scale centralised power units offer advantages of economies of scale, but suffer from inflexibility in grid planning...

"In technological terms there is evidence that centralised units offer economies of scale, but suffer from inflexibility in grid planning"

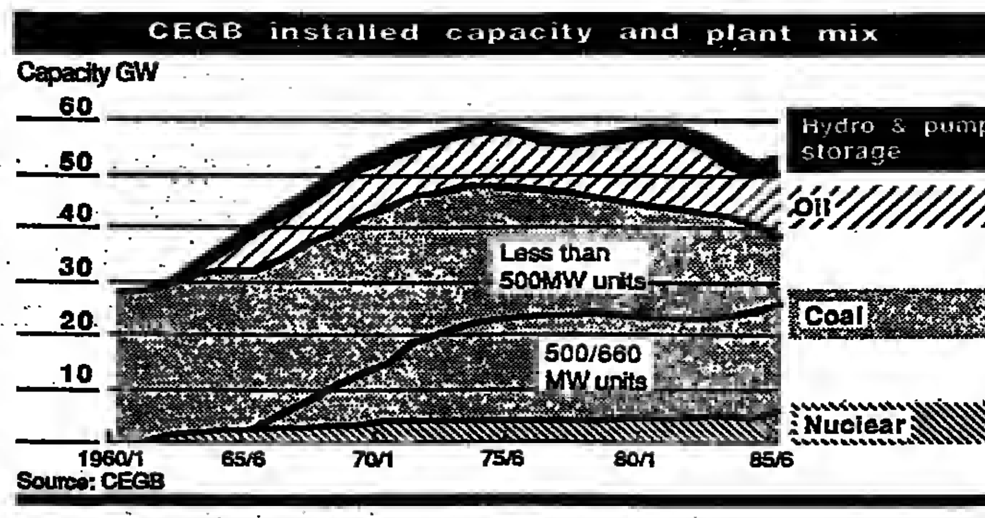
If the grid is entirely controlled by a central system dominated by large generating units, then the individual area choice of supply becomes limited." Competition between suppliers would then be completely removed, with the result that the central grid is the master rather than the servant of its customers.

In terms of security, too, they question whether the central grid is ideal: "a large monolithic organisation is not necessarily the best means of making industry innovative, competitive and secure."

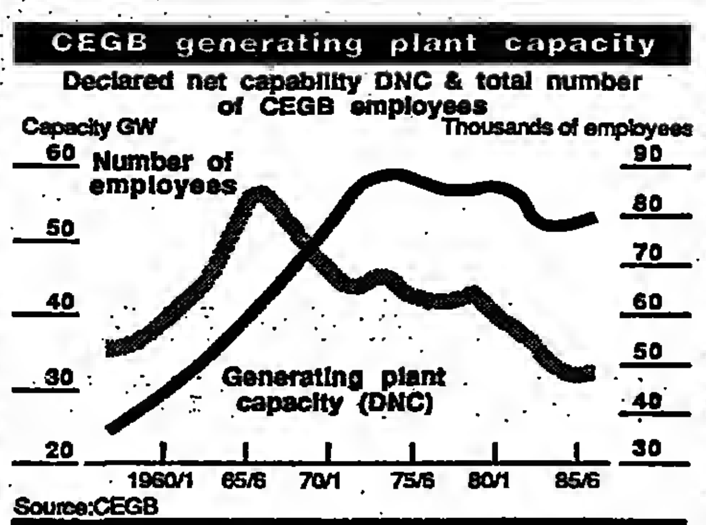
Maurice Samuelson

PRIVATISE POWER, Restructuring the Electricity Supply Industry, Centre for Policy Studies, 8, Wilfred St., London SW1.

POWER ON THE MARKET, FTBI, Tower House, Southampton St., London WC2.



Source: CEGB



Source:CEGB

Area Boards

More freedom in prospect

LIKE 12 eager Cinderellas whose prince has arrived, the Area Electricity Boards of England and Wales are facing the prospect of privatisation with considerably more relish than their big sisters – the Electricity Council and the Central Electricity Generating Board.

The Council fears its demise as the industry's umbrella body and is fighting to survive in a more modest form. The Generating Board might be split up and is also afraid of losing control of the National Grid.

Only the Area Boards behave as though they have more to gain than lose from privatisation, especially as they are natural monopolies. As the organisations which deliver the electricity to final consumers, mend and maintain local circuits, sell appliances and take in the money, they feel at home in a commercial environment and would be freer still as private concerns.

They are clamouring to be privatised as they stand. But even if fewer Boards emerged into the private sector, the successor bodies would be bigger and stronger, - a brighter prospect than that faced by the CEGB and the Council.

Not that the present Boards are insignificant. Although the CEGB accounts for 73 per cent of the electricity industry's £36bn worth of assets, the Area Boards are multi-million pound concerns, some of which are the largest in their localities. The biggest is Eastern Electricity with a turnover of £1.35bn and a pre-tax profit last year of £58m.

The National Grid which distributes electricity in bulk from the power stations to the individual Board areas belongs to the CEGB.

But this still leaves the areas in charge of 470,000 miles of cables of lower voltages and 400,000 sub-stations. Last year's asset value of the local Boards was quoted as £9bn and their operating costs reached £6.1bn. They sold 215 Terawatt/hours of electricity to 21.7m customers.

They are - and will be - judged by the public both on price and on service. On price, they will continue to be largely in the hands of the bulk suppliers of electricity, whose pricing currently reflects Government policy and reliance on British coal.

Even within these restraints, however, there is a 12 per cent difference between the highest and lowest average tariffs charged by the area Boards. The gap largely reflects factors outside the Boards' control, such as their differing ratios of industrial and domestic consumers. To a lesser extent it reflects their ability to master their own controllable costs.

On service, relative standards are harder to assess. The Electricity Council, which commissions market research polls, says that more than 90 per cent of customers are "satisfied or very satisfied" with general service. Quoting a recent survey, it claims this was better than could be claimed for the gas, telecommunications and water industries.

Respondents to the survey had rated basic electricity services and emergency work as "very good", and deliveries and repairs of electrical appliances by Board show rooms as "generally good".

Limited comparisons of the individual Boards can be made from standards indices published for the past 10 years by the Electricity Council and from the different levels of complaints reaching local consumers' councils.

Under a code of domestic appliance servicing, for example, the Boards agree to aim to deal with at least 80 per cent of appliance repairs when first called to the customers' premises and to do so within three days of the faults being reported.

Only two Boards - East Midlands and Southern Electricity - consistently surmounted the 80 per cent hurdle in the past five years. Six Boards failed to do so in even one year, a fact which "does not make happy reading," says the Electricity Consumers' Council. The East Midlands Board also emerged as the area complained of least often to its local electricity consumers' council.

The East Midlands Board has

Continued overleaf

Power equipment makers fear delays in meeting their current...

Big hunger for new orders

A GREATER air of expectancy than has existed for nearly ten years swirls around Britain's three principal power generation equipment makers.

With factories ranging from significantly underloaded to virtually empty, the Central Electricity Generating Board's build programmes for nuclear and coal-fired stations are desperately needed to feed their huge and hungry shopfloors.

The significance of those build programmes is such that the equipment industry is highly nervous about any disturbance privatisation might cause to these programmes which are already running later than the equipment builders would have liked.

A halt to the nuclear programme or a delay in the fossil fuel stations would be very unwelcome, to say the least.

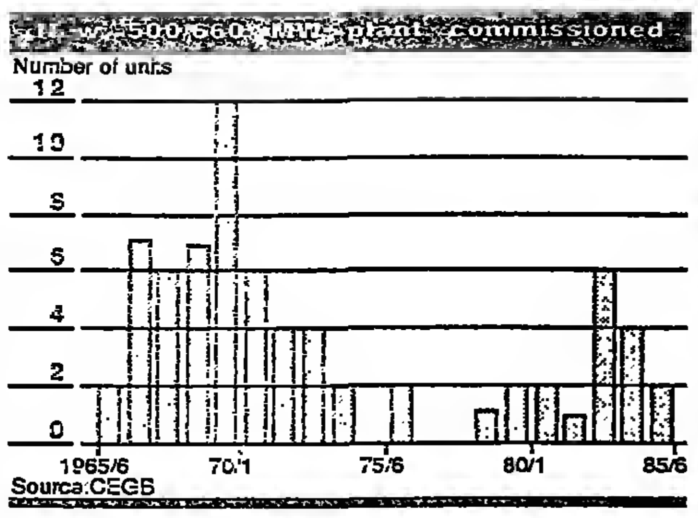
"It is a matter of great concern to us," says Mr Graeme Anderson, deputy chairman of Northern Engineering Industries. Along with senior managers at GEC and Babcock, Mr Anderson has made this position very clear to Government ministers.

Equipment suppliers have continued to cut manpower in order to match the paucity of domestic and international orders and, in some cases, to reduce shopfloor square footage. The state of health of the main suppliers though varies widely.

NEI, which is the only UK supplier of the complete range of power station plant is desperately short of work in some of its divisions and has been engaged in a long programme of rationalisation. Its businesses include the manufacture of lifting equipment and other non-energy plant.

It has just completed a £75m rationalisation programme, announced in 1986, which reduced its 38 manufacturing operations to 24 and took out 4,500 jobs. The total worldwide workforce is now down to about 20,000.

This programme was designed to allow NEI to operate in the black with a £700m turnover, a level of business which Mr Anderson says was topped by new orders last year. "We have an operation that can survive at that level," he says.



GEC Turbines is one of the healthiest energy equipment businesses in the UK, operating at about 65 per cent of production capacity, the company says. However it has also been reducing its workforce, cutting it from 9,000 to 6,000 in the past few years. GEC's switchgear operations have also been shedding labour and rationalising plant.

Babcock, the boiler maker and general engineering group which has recently been absorbed by FKI, the electricals company has drastically cut the workforce at its Renfrew power engineering site in Scotland from 2,570 to 1,400 during the past year.

FKI Babcock, the newly-formed company, announced at the end of last year that it was eliminating 1200 jobs from its energy division, some of which overlaps with job losses previously announced at Renfrew and at the Babcock offices in London.

FKI would sell off Babcock's energy businesses - centred on Renfrew - if a buyer was willing to pay something over £100m. Before the FKI takeover, Babcock had had discussions on a sale to GEC but it is understood that GEC was offering around £40m.

The new power station build programmes mean different things to the equipment makers.

The £100m turbine order for the Sizewell B PWR has gone to GEC and the boilers to Babcock. North-east based NEI has missed out here though it tendered for both deals.

NEI is having to make do with supplying a process plant control system for Sizewell which it hopes will be worth eventually around £20m, and a £4.4m order for water treatment plant at Sizewell to be built by NEI Thompson in Wolverhampton. It also has hopes for work on transformers(NEI Peebles near Edinburgh) and switchgear(NEI Reyrolle).

This does not augur well for NEI for the rest of the UK nuclear programme, the next station for which will be Hinkley Point C. The "Buggins turn" principle whereby contracts are shared out to UK companies seems to have gone by the board.

This should leave a free run, at least until the early 1990's, to Babcock for nuclear boilers, the only other UK manufacturer of boilers for power stations. NEI has pretty well dropped out of the contest for boilers on the nuclear programme.

The Sizewell boiler contract went to Babcock at a price "unattractive" to NEI, says Mr Anderson. Babcock certainly needs the work. The Renfrew site has had to turn to defence work to keep itself ticking over.

NEI is still determined though to bid for future turbine contracts for the nuclear stations. However, GEC is in a very strong position on turbines and has already submitted a bid for Hinkley C on an option basis.

The north-east company is pinning its main hopes on the five new coal-fired stations, the first two of which will be West Burton in the Midlands and Fawley near Southampton.

Coal-fired stations are more lucrative to NEI than nuclear stations but the company will face tough competition from GEC and Babcock. With the greater liberalisation of trade within the EEC, scheduled for 1992, this competion could get much fiercer.

Meanwhile parts of NEI are in desperate need of work, in particular Parsons, its turbine operation at Newcastle-upon-Tyne. Parsons, which employs 3,000 is grossly underloaded, with no new turbine orders since 1984, and with none from within the UK for almost a decade. It is surviving on spares, service and refurbishment work. "Getting coal-fired work is crucial to Parsons," says NEI.

NEI International Combustion at Derby is also very short of work but is in better health than Parsons. It has a contract to convert Kilroot power station in Northern Ireland from oil to coal firing.

It is also bidding for work on the CEGB's £170m programme to retrofit existing power stations with low-nox burners for pollution control and for part of the £600m programme for retrofitting three existing stations with flue gas desulphurisation plant. Drax will be the first. Several other companies have also a strong interest in the work.

GEC, like NEI is less than happy that work for the new ordering programme will not arrive on factory shopfloors before the end of next year or the beginning of 1990.

Its plants, however are somewhat better loaded than those of NEI. GEC Turbines has been the world's number two turbine supplier in recent years. Excluding Sizewell it still has ten major turbines to complete under existing contracts, eight for South Africa and two for the Gwang Dong station at Baya Bay, China.

"We have a healthy commitment at the present time," says Mr Mike Barrett, a GEC Turbines board director.

Nick Garnett

Private power generation

UK schemes start to move off the drawing board

FROM A quick inspection of the electricity industry in the UK, one would never guess that for the last five years a law has been in place designed to encourage the generation of private power.

Only a tiny proportion – about 2 per cent or so – of the country's electricity is generated privately, and almost all of that is the residual, produced by industrial and commercial users, who sell their surplus to the grid. The few generators built specifically for export to the grid are small one-off schemes, usually relying on renewable sources of energy.

One of the biggest such projects is a hydro power station recently commissioned on the river Lyn in Devon – although even this makes a negligable contribution to supplies in the area.

However, things could be about to change. The Central Electricity Generating Board has recently announced that it is holding dicussions with about half a dozen companies all of whom are planning to build or operate power stations. Some of these schemes involve refurbishing and reopening existing power stations which are now in mothballs. Others include relatively high technology plans to build combine cycle plants, which despite their higher level of efficiency have hitherto been shunned by the CEGB.

The power potential of all the schemes taken together is not insignificant, amounting to the equivalent of one and a half Sizewell B nuclear reactors. One of the first projects to be taken off the drawing board could be a scheme to refurbish three disused power station in Wales and supply Wales with the equivalent of about 10 per cent of its electricity.

The new move towards independent companies has been prompted by the shift at the CEGB from having too much capacity to having not enough. It may also have been encouraged by CEGB as a part of its campaign to survive privatisation of the electricity supply industry in tact – if it can convince Mr Cecil Parkinson, the Energy Secretary, that competition can flourish under the present system, there may be less incentive to change it.

One of the problems so far has been the prices that the CEGB has been prepared to pay independent producers have, in general, been insufficient to justify building new plant. Under the 1983 Energy Act, the CEGB must offer to buy electricity from the private sector at a price equal to the costs it would have incurred in generating the same amount of power. The price is in practice governed by the bulk supply tariff, which is set at a level that allows the CEGB to cover its costs and to meet the Government's financial targets. The tariff contains both a fixed and a variable cost component, but as the CEGB has to go on paying the fixed part, regardless of whether it generates its own supplies or buys them it, it only pays the variable element to independent producers.

The Central Electricity Generating Board is holding talks with half a dozen companies planning to build or operate power stations

The Association of Independent Electricity Producers, which guards the interests of the small number of comoanies currently supplying the grid, is becoming increasingly restive about the present system. It claims that since 1983, the CEGB has paid independent producers 14 per cent less than they have to pay for any supplies they buy from the CEGB - a position which has worsened as a result of two moves by the CEGB over the last four years to increase the fixed proportion of the tariff.

More recently, the CEGB has begun to redress the balance. At the end of last year, it announced an 11 per cent rise in the price it pays for supplies from independents. This new price represents 3 per cent more than the increase in the Bulk Supply Tariff required by the recent increase in electricity prices.

The independent producers claim that this rise is of marginal assistance only, and argue that they should be paid more to allow them to compete on an equal footing with the CEGB. They would like to see an independent body to regulate the setting of tariffs, which are now fixed at the discretion of the CEGB – although in theory at least the Government has the power of veto.

Even if private power generators are paid less for their power than the CEGB – something that will presumably persist for so long as it is the CEGB, and not the private company, that has the obligation to supply – there still may be scope for ample profit. A private company might have lower construction costs. More important perhaps, it may be able to buy its coal at prices well below those paid by the CEGB.

The Welsh scheme, for example,which is being promoted by a Greek entrepreneur, Mr Angelo Casfikis, expects to get half of its coal from British Coal on terms that, it claims, are better than those offered to the CEGB, and half from independent washeries which take coal from private open cast mines.

The new generation of electricity entrepreneurs make rather a diverse and ill-assorted group. Mr Casfikis admits to having no particular background in the electricity industry. Some of the other schemes have been developed by engineering companies: one of the best- publicised is a plan by John Brown, a subsidiary of Trafalgar House,to build a gas turbine. In addition to pure generation projects,there are various schemes to combine power production with the distribution of spare heat from torbines, thus raising the efficiency with which fuel is consumed.

Such schemes are being actively pursued in a number of cities, with Leicester and Sheffield in the lead. The Leicester scheme, backed by public and private interests, involves refurbishment of a CEGB gas-turbine station and distribution of waste hot water for process use and central heating to factories and houses.

The CEGB and the local electricity Board are members of the consortium and the main obstacle which remains to be overcome is to secure a long-term gas contract which will make it pay. The consortium is talking both to British Gas and to private oil companies with North Sea gas interests and expects to announce a contract later this year. It would be the single biggest gas contract in the country.

The City is taking a sanguine view about the ability of investors and banks to finance the building of private power stations. The experience of Mr Casfikis in financing his £85m project is encouraging, with equity raised with apparent ease from a group of private investors with the backing of the Welsh Development Agency.

However even if all the schemes presently mooted come into being, a thriving private power market will not be assured. Indeed if this is the top priority for the Government as it draws up its plans for privatising the industry, surely splitting up the CEGB is the first step.

Lucy Kellaway

from page 3

More freedom in prospect

established its reputation for good customer relations with its own innovative schemes such as rebates and vouchers for customers receiving slow or inadequate service.

The schemes, which Energy Secretary Cecil Parkinson is thinking of recommending to the rest of the industry, include giving a fiver to any customer who are let down when waiting for repairs and meter changing at agreed times.

Last year, East Midlands had to pay out to more than 14,000 customers because of late deliveries of appliances. However the record has improved dramatically and it is now planning to raise its compensatory payments for late servicing to £10.

The common factor in such schemes, however, is that they usually apply only to activities in which Area Boards already face private competition. At the end of the day, it will be competition on price as well as service that will determine the popularity of their private successors.

Maurice Samuelson

Electricity boards of England and Wales

	Statutory Area Square Kms	Number of Customers '000s	Sales in Gwh	Revenue From Electricity sales £m	Net current Assets Employed £000
London	666	1,868	17,058	911.6	899
South Eastern	8,016	1,843	15,886	756.5	750
Southern	16,918	2,348	22,856	1076.8	1015
South Western	14,400	1,185	11,489	552.0	651
Eastern	20,106	2,820	25,686	1210.0	1166
East Midlands	16,307	2,058	20,399	950.3	812
Midlands	13,165	2,051	20,523	979.3	948
South Wales	11,802	886	10,670	465.9	407
MANWEB	12,227	1,321	15,863	677.9	604
Yorkshire	10,609	1,916	21,308	961.1	970
North Eastern	14,672	1,368	13,902	623.4	601
North Western	12,512	2,050	19,249	915.3	861

Sources: Handbook of Electricity Statistics, Electricity Council Annual Report and Accounts 1986/87.

Northern Ireland and Scotland

A different power debate

IN NORTHERN IRELAND and Scotland the electricity privatisation debate is proceeding along different lines to that in the rest of the UK.

Unlike England and Wales, where generation and distribution are handled by different bodies - the CEGB and the Area Boards - the Ulster and Scottish utilities are integrated production and retailing companies. Because the markets are so small it does not make sense to unleash on them a shoal of tiny distribution agencies; instead, the issue will be how much competition to have in generation.

In Northern Ireland, this was already a dominant issue well before the last general election. The heavily subsidised Northern Ireland Electricity Service, overwhelmingly dependent on costly oil-fired stations, is not a prime candidate for privatisation. However, a third of the province's electricity production would fall into private hands if, as is widely expected, the Government authorises a private consortium to build the first plant to run on large local deposits of cheap lignite, or brown coal.

Antrim Power, a consortium headed by Hanson Trust and Bechtel, has tabled plans to build and operate the 450MW station which, at an estimated cost of £600m, would be the biggest ever investment in Northern Ireland.

However, the scheme is challenged by Northern Ireland Electricity (NIE), the public utility, which says it is cheaper to put more coal-fired boilers into the big Kilroot power station, half of which is already being converted from oil to solid fuel.

In trying to fend off competition from a private lignite station, NIE also argues that the market is too small for more than one power company and that the trend of recent years, culminating in the NIE's own creation, was towards a single local supplier.

At the end of last year, Ministers gave Antrim Power and NIE to the end of January to polish up their respective bids. In Belfast, it is now expected that a decision could emerge on the coat-tails of Mr Cecil Parkinson's much awaited decision on the mode of privatisation in the rest of the UK.

Meanwhile, a lively sub-plot is developing over where the lignite plant would be built. It had originally been assumed that the likeliest place was at Crumlin, County Antrim, on the shore of Lough Neagh, where the rights to mine large reserves of lignite are in the hands of British Petroleum.

However, the Australian company Meekatharra Minerals, headed by Mr Don O'Callaghan, has told the Government that its own deposits, at Ballymoney, can be mined at half the price of the Crumlin lignite and that it can arrange the finance for the whole mine, power station and facilities for briquetting the lignite for other customers.

In Scotland, the privatisation issue is, in some respects, the reverse of that in Northern Ireland. Unlike NIE, the two Scottish utilities - South of Scotland Electricity Board and North of Scotland Hydroelectric Board - do not have to be subsidised by Whitehall and would attract private shareholders.

In Scotland, the issue is not whether to increase the number of generators but whether the two existing operators should be effectively merged. Mr Donald Miller, SSEB chairman, would like to see a single holding company, with its shares held by the public, which would own both Boards.

The Hydro Board, jealous of its separate identity in the more remote parts of the Highlands and Islands, wants to be privatised separately from its big southern neighbour.

The Hydro Board was created in 1943 to bring power to the Highlands primarily from about 50 small hydro power stations on lochs and rivers. It had the additional task of assisting "the economic development and social improvement" of its territory, which it achieved by bringing power to well over 99 per cent of its widely scattered potential customers. It fears that entering a holding company with the SSEB would be the first step towards its disappearance.

The SSEB favours a holding company because the structure of power supply in Scotland is already highly integrated. The two Boards fund and operate their plants jointly and operate a single merit order for drawing power from the most efficient and appropriate plant at any one time.

There are political attractions in ensuring the survival of the Hydro Board. However, the fate of both Boards could also be influenced by the status which the Government decides to give to the nuclear component south of the Border. For example, if nuclear plants were excluded from UK privatisation, the SSEB, which is highly reliant on nuclear power, would be virtually dismembered, making it more logical to pool the remaining plant with that of the Hydro Board.

Maurice Samuelson

Decentralised electricity supply is alive and expanding on the Continent, says **Maurice Samuelson**

Europe's remarkably diverse power pool

THE PROS and cons of centralisation lie at the heart of Britain's debate about the future of its electricity supply industry.

The Central Electricity Generating Board is proud of its high degree of integration and wants to stay as centralised as possible. The decentralisers, yearning for the carefree days of Stanley Baldwin, would like to restore some of the features of the 1920s and 1930s with their patchwork of private, local utilities.

The nearest example of decentralised electricity supply, however, is not a thing of the past but is alive and expanding on the continent of Europe.

It is the Union for the Coordination, Production and Transport of Electric Power (UCPTE), a power pool embracing the electricity supply industries of 12 European countries, from Spain and Portugal in the west to Greece and Yugoslavia in the east. Even Albania, while not an official member, has synchronised the frequency of its power stations with those of UCPTE.

Only Ireland and distant Iceland are so far unconnected, a fact which electricity officials in both countries say they would one day like to rectify.

It is organised on principles of a free market rather than a centralised administration

With 280m inhabitants, the UCPTE's 12 members form the biggest electricity market in the world. It also swaps electricity with the Eastern Block countries and NORDEL, the power pool of the four Scandinavian countries. At the periphery it is also connected with Great Britain, through the 2,000MW Direct Current link under the English Channel.

The UCPTE countries try to be self-sufficient in electricity. But through their cross-border links, they enjoy additional security against emergencies, the ability to buy and sell power during each others' peaks and troughs in demand, and, to some extent, slow down their own new investment programmes.

The Union is remarkable for the diversity of its members - whose utilities reflect varying degrees of centralisation and of State or private ownership - and its current lack of a permanent administration or bureaucracy.

Its official brochure boasts that it is not a hierarchical organisation and has no need for a European dispatching centre to guide the running of individual power stations. "On the contrary, harmonious running of the cross-border connections is achieved by the readiness of the individual managements to solve problems."

According to Dr Felix Bruppracher, an economist at Switzerland's Elektrizitaets-Gesellschaft Laufenburg, UCPTE "is organised along the principles of a free market rather than centralised administration. The success of this competitive market does not leave much scope for tendencies that would rather see international interconnection under a more centralised sort of administration."

Dr Brupprацher, who made his comments late last year at an FT World Electricity Conference in London, did not suggest they were relevant to Britain, the shape of whose electricity industry owes as much to geography as to politics or history. However, he noted a similarity between the early links between individual UCPTE members and the interconnections between the CEGB and the two Scottish utilities, the South of Scotland Electricity Board and the North of Scotland Hydro Electric Board.

For example, Spain and Portugal had both formed a link with France before the two Iberian countries joined the UCPTE in 1987. Sweden, Denmark, Norway and Finland had formed their NORDEL grouping in 1963 and in 1964 SUDEL was set up by Austria, Italy and Yugoslavia, taking in Greece in 1972.

The UCPTE itself was formed in 1951 as part of the wave of post war integration inspired by the Marshall Plan. Its founders were Austria, Belgium, France, Italy, Luxembourg, Netherlands, Switzerland and West Germany. It has steadily expanded to include Greece, Portugal, Spain and Yugoslavia.

At peak hours, their power stations can supply a total of 200,000MW. They exchange with each other – and with neighbouring electricity markets – nearly 8 per cent of their total consumption.

In 1986, the biggest exporters were France, Switzerland and West Germany. West Germany, with Italy and Switzerland, was also among the leading importers.

The biggest consumers of electricity in UCPTE are West Germany, France and Italy.

Those with the biggest capacity for interchange are Germany (with an inter-tie capacity about 45 per cent of her peak load), France with about 40 per cent and Switzerland with about 20 per cent.

An underlying principle of the Union is that the member countries exchange power in alternating current. This means they have to run their power station turbines at an identical frequency. Britain, Scandinavia and the Eastern Block countries trade power with the UCPTE in Direct Current and therefore regulate their frequencies as they see fit.

Inside the UCPTE the exchanges often reflect seasonal patterns. Switzerland and Austria, with their abundance of hydro-electric power, export mainly in the summer when their rivers are swollen by the melting snows of the Alps. Indeed, one of the original purposes of the Union was for the export of hydro-electricity from these countries to ease peak demand on West Germany's coal-burning plants. Now, however, the bulk of the trade hinges on exports of France's growing surplus of cheap nuclear power, especially to Italy, which is chronically short of its own capacity.

But the traffic goes in both directions. The Swiss and Austrians, for example, import cheap night time power from their neighbours' base-load power stations.

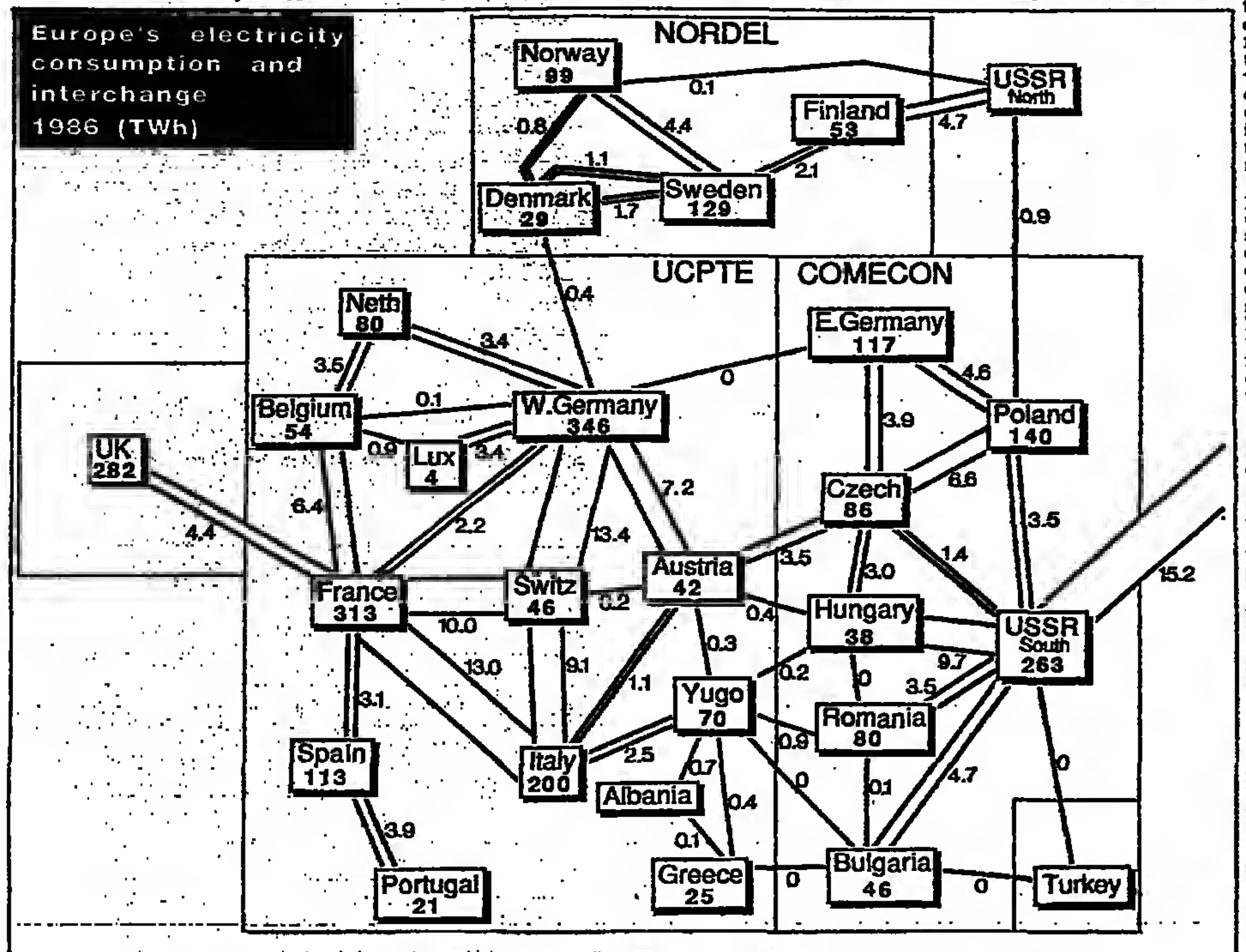
Since UCPTE was founded the annual electricity consumption in its eight original members has increased fivefold and their exchanges have increased tenfold. But as Dr Bruppacher points out, it does not all reach the end consumers. A large proportion of the traded power is "reactive power" - used to drive the electricity industry's own equipment - or simply to provide reserve power. Some also crosses the borders inadvertently.

Its security value - and the strains it can absorb - were sharply demonstrated on January 12 of last year when wide areas of Western France, the community's biggest electricity exporter, were blacked out.

Shortly before mid-day, as the frequency of France's electricity supplies dropped steeply, power stations were disconnected causing a massive reversal of power flows across the country's borders from about 500MW of exports before the incident to about 2,000MW of imports immediately afterwards.

Within half an hour, thanks to a rapid response by neighbouring countries, exports from France had more than recovered.

Maurice Samuelson



Totals	UCPTE	NORDEL	COMECON	UK
Peak load GW	206	51	116	55
Consumption TWh	1293	308	770	282

Source: Dr F. Bruppacher, Elektrizitats-Gesellschaft Laufenburg

Transmission controls

New brain for national grid

THE EQUIVALENT of a brain-transplant is to be undertaken at the Central Electricity Generating Board. The "operation" will involve the replacement of the computers which control the flow of power through Britain's National Grid.

Two suppliers have been invited to compete for the orders: Control Data Corporation, based at Minneapolis, and Ferranti Computer Systems, of Wythenshawe, Manchester. Orders are expected to be placed in the Spring.

The new system, to come into operation in the mid-1990s, will replace the 1969 computer system used by the CEGB at its grid control centre at Southwark, London.

Known as the Five Centre System, it will coincide with the transfer of national control to a new building at Wokingham. The contractor will also be responsible for replacing the computers at four regional centres supplied in the 1970s. (There are currently five such centres but two of them are to be merged.)

At present, the operators of the National Grid have to telephone the regional control centres and power stations to ask them to switch power plants in or out of the system as demand varies.

Although telephone links will be retained for stand-by, the replacement will automate most of these tasks and switch individual power stations on or off as required. It will keep constant watch over the usage of the national supergrid high voltage transmission system and make contingency plans if parts of it become overloaded or break down.

The CEGB began in-house work on the project ten years ago but ran into lengthy over-runs and an escalation of costs from an original estimate of £19m to nearly £100m.

A Monopolies and Mergers Commission report last July, while acknowledging the CEGB's technical expertise, spoke of its "serious lapse in an otherwise good record of efficiency and service to the customer in the transmission of electricity."

The project stemmed from the CEGB's decision to go from a three-tier system of grid control – at national, regional and district level – to a two tier system, which eliminates district control points.

Originally, the CEGB was to have written all the software for the new system in-house and was seeking computer hardware from GEC and Ferranti. But difficulties encountered by the CEGB's software team put back the project by years and steadily raised its cost far above original estimates.

About two years ago, the CEGB's computer information systems division lost its patience with the sluggishness of the software team, and after commissioning an audit of the software team's results, relieved it of the work on the national centre and told it to concentrate on the regional centres.

CDC and Ferranti were invited to submit proposals for both the software and hardware for the national centre. This work was about to be ordered last summer when the Monopolies Commission suggested that software for the regional centres should also be farmed out.

The CEGB thereupon lumped it all into a single comprehensive project for the national centre and four in the regions. With the winner taking all, its choice is expected to fall on the system which promises it the highest level of security in managing the nation's power supplies.

For Ferranti, such a contract would be a significant part of the work load at its Wythenshawe computer division, where it employs 1,800 people.

The system offered by Ferranti, is called Ranger and has has to date won £100m of business overseas. It has been bought by five electricity utilities in the US and, most recently, by the Belgian electricity supply industry.

Ranger was originally developed by TRW, a Texas company bought out by Ferranti. It uses display terminals built at Wythenshawe and some 400 man years of work have gone into its software.

Trevor Bury, who handles sales to utilities, acknowledges that in CDC Ferranti faces "formidable competition".

Ferranti takes some comfort, though, from the fact that the Belgian order, worth £12m., was won against competition by CDC and a third company.

Ferranti will install it in 1990 and 1991 at the grid control centre at Linkebeek, a quiet wooded spot in the middle of Belgium.

M. Jean-Paul Waha, the grid centre's director, says he and his colleagues looked initially at about nine manufacturers and finally asked three to tender, including CDC and Ferranti Computer Systems.

It had finally chosen Ferranti's Ranger, which was neither the cheapest nor dearest of the three. It will be 30 to 50 times more powerful than the Belgian grid's Westinghouse system. Installed in 1976, the Westinghouse equipment had become too small and will cease to be usable by the mid-1990s.

Maurice Samuelson

Last autumn's hurricane in southern England has encouraged a...

Fairer breeze for renewables

IN THE EARLY hours of October 16 last year, the people of southern England received a stinging and unforgettable reminder of the power of the elements. Over 15m trees came down in the hurricane that swept the south that October morning and estimates of the damage to property ran into hundreds of millions of pounds.

Some properties in the southern counties escaped without a scratch but virtually no-one avoided the knock-on effects of the storm – the power blackouts lasting hours and, in some areas, days, as electricity transmission lines plunged to earth like so much chewed string.

The magnitude of the power breakdown served to enlighten many people about the vulnerability of Britain's grid network and spurred others to investigate the alternatives to centralised power supplies to electrify their own homes.

Understandably, the most serious enquiries into the alternatives were directed at the possibilities offered by modern wind turbines. But fresh interest was also shown in the potential of water power and solar power.

Studies carried out by the proponents of the various renewable energy technologies together with the CEGB, the Department of Energy (DEn) and the DEn's energy technology support unit (ETSU) show that Britain's winds and tides efficiently harnessed could each supply 20 per cent of the nation's electricity needs.

When the power capabilities of rivers, waves, the sun organic wastes and geothermal heat sources are included in the equation, suddenly the potential of renewables is not quite as laughable as some official reports have suggested. Moreover, the technologies to tap into these massive reserves exist and are gradually being applied to generate meaningful amounts of power.

At present, few people have their own generator powered by the elements; the exceptions tend to be those living in regions remote from the national grid. The vast majority of the UK's population is generally content to take its power from the grid, which is why most research into renewable energy power-generating technologies concentrates on large scale systems capable of being either hooked into the grid or of forming the basis of mini-grids for local regions.

The biggest hurdle is the enduring prejudice that power systems dependent upon the vagaries of sun, wind and wave cannot possibly be regarded as reliable

That explains why the 3MW turbine with a 60 metre diameter rotor has been built by the Wind Energy Group (WEG) on Orkney with funds from the DEn but not why funding has so far not surfaced for the building of a tidal energy barrage either on the Severn or Mersey.

The Severn barrage scheme in particular seems to fit snugly into the big-is-beautiful line of thought. With an installed generating capacity of 7,200 MW, the barrage would supply Britain with fully 6 per cent of its power requirements. But the barrage's history of construction decision avoidance competes with the Channel Tunnel in the prevarication stakes. First mooted at the beginning of the century, the project has been the subject of reports in 1910, 1933, 1947, 1981 and 1986. The latest is a 2-year investigation, launched by the DEn in July 1986 at a cost of £4.3m, to investigate cost uncertainties, environmental issues and economic viabilities of the project; with a view "to defining whether further work was required to enable it to make a construction decision" - a pronouncement which has given the interested parties strong feelings of *déja vue*.

But the work carried out so far on the Severn barrage plan has at least narrowed down the site possibilities to what the DEn calls its "preferred scheme".

Various lines for the structure were proposed in the past but it is now almost certain that, if it is to be built, the barrage will extend across the 16km from Lavernock Point, south of Cardiff, to Bream Down near Weston-Super-Mare. It will contain 192 turbines to harness the tidal power, generating about 13 terawatt hours(TWh) of electricity annually.

The cost has been estimated to be in the region of £5.6bn at 1980 prices. It will take seven years to build and full power output will be achieved two years after completion.

The problem appears to rest not so much with its economic viability – the scheme's designers are confident of a power generating cost of about 3p per kilowatt hour, making it competitive with coal-fired power – but with finding sufficient private capital for such a long term venture.

There is also a problem convincing environmental groups that the barrage will not be as destructive to the Severn Estuary as they fear. The scheme could well founder on the environmental issue at the inevitable public inquiry prior to any final construction go-ahead.

The same is true of the Mersey barrage and of any of the 17 sites under consideration for barrage construction in the UK, though none is as extensive as the Severn scheme.

The proposed Mersey barrage, for example, would only be 2km long and generate only 1.2 TWh a year (0.5 per cent of the UK's power needs).

In a recent study by the DEn covering the prospects for renewable energy in the UK, tidal power schemes were given a three star rating out of a maximum of five. This put tidal power in the "promising but uncertain" category together with onshore wind power, hot dry rock geothermal power and, intriguingly, small scale hydropower and small shore-mounted wave power. Only large-scale hydropower received five stars - the "economically attractive" category.

The DEn has long shown favouritism towards the wind power and geothermal sectors and this has led to the construction of a number of wind turbines in various parts of the UK and the boring of deep holes in Cornish granite; it has never before espoused any true enthusiasm for small hydro or wave power schemes. Indeed, in 1982, the DEn pronounced wave power a dead duck on economic and technical grounds and cut all funding for the sector.

But last year, the DEn decided to fund the construction of a 200 kW wave power plant on the island of Islay in the Inner Hebrides. Costing £300,000, a decision thought by many to have been prompted by Norway's success with British cast-off wave power technology.

Two Norwegian wave power plants have been built using British technology, developed with the help of £17m of British taxpayers' money ploughed into the research in the late 1970s. The DEn is thought to have been stung into action by criticism that Norway was about to use this technology to corner the world market for wave power generators.

In the case of wind energy, the DEn and the CEGB's consistent support has led to the installation of 23 medium-sized and large-scale machines by private and public concerns in the UK. The largest is the recently commissioned 3MW machine built by the Wind Energy Group on Orkney.

The economics are looking good - the British Wind Energy Association recently claimed that wind power is actually cheaper than coal or nuclear generated electricity - and the technology is rapidly progressing towards optimisation.

But there are still many obstacles to clear before wind energy and the other renewable energy technologies are accepted as playing a full role in Britain's power supply.

The biggest hurdle is the enduring prejudice that power systems dependent on the vagaries of sun, wind and wave cannot possibly be regarded as reliable. Then there is the problem of economic viability compared with the more conventional power technologies.

Last but not least are the difficulties which face small scale power producers, such as rates and other non-equipment costs which are levied on the installation and operation of their equipment.

The renewable energy fraternity has an answer to all these problems. Reliable systems are now available which match two or more different forms of renewable technology in order to generate steady, consistent power whatever the weather. Others come in the form of hybrids of, say, wind turbines with back-up diesel sets.

There are also systems which incorporate the power generating system with power storage in the form of battery banks, compressed air banks, hydrogen production facilities or fly-wheels, all of which have been under development for some years and are now nearing optimisation.

But according to a study from Imperial College, the single most important development in the drive to get renewables accepted as reliable power sources will arrive when Britain adopts the concept of electricity spot pricing.

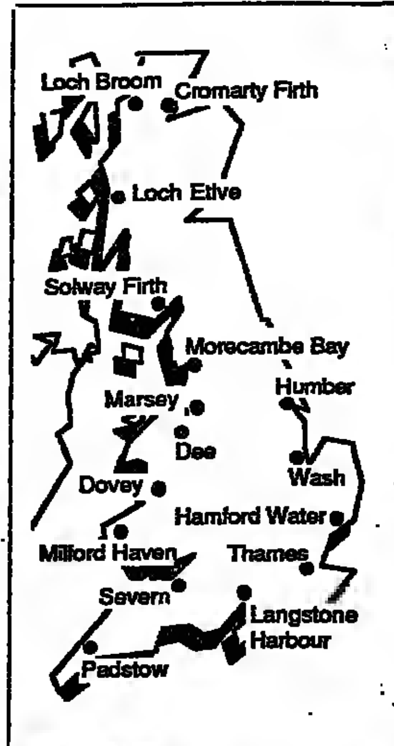
In a paper presented at the 1987 Energy Options conference of the Institution of Electrical Engineers, the Imperial College research team concluded that "where price is set by demand ... all sources of energy which do the same job are equal and it becomes at last possible to make an unbiased assessment of the economic worth of alternate and renewable energy sources."

This may be so, but the renewable energy technologies will still be hog-tied by a number of financial constraints which can only be removed by Government intervention. This unsubsidised energy sector has first to compete against huge subsidies awarded to power producers using coal and nuclear fuels. And, as if that were not enough, the rates levied on small-scale power supplies by local authorities are proportionally ten times higher than those levied on conventional, large scale, centralised power plants. Local area electricity boards also frequently pay far less for the power they buy from a small producer than what they charge for supplying power back to that producer.

When all the charges for connecting a small-scale generator to the grid have been added in, the final cost/benefit analysis of becoming a small scale power supplier to the grid often makes economic nonsense. This, say those affected, is in clear breach of the spirit of the 1983 Energy Act which was designed to allow the small producer to compete on equal terms with the established electricity supply industry.

Only when these contradictions and inequalities have been cleared away will it be possible to judge whether the renewable power generating technologies can be as economically viable as conventional power sources.

Mark Newham



Comparative tidal scheme performance (Estimates)

	Mean tidal range m	Barrage length m	Installed capacity MW	Annual energy output GWh	Cost of energy p/kWh
Severn – Inner line	7.0	17000	7200	12900	3.7
Severn – Outer line	6.0	20000	12000	19700	4.3
Morecambe Bay	6.3	16600	3040	5400	4.8
Solway Firth	5.5	30000	5580	10050	4.9
Dee	5.95	9500	800	1250	6.4
Humber	4.1	8300	1200	2010	7.0
Wash	4.45	19600	2760	4690	7.2
Thames	4.2	9000	1120	1870	8.3
Langstone Harbour	3.13	550	24	53	5.3
Padstow	4.75	550	28	55	4.2
Hamford Water	3.0	3200	20	38	8.5
Loch Etive	1.95	350	28	55	11.7
Cromarty Firth	2.75	1350	47	100	11.8
Dovey	2.90	1300	20	45	7.2
Loch Broom	3.15	500	29	42	13.9
Milford Haven	4.5	1150	96	180	10.0
Mersey	6.45	1750	620	1320	3.8

Source: A C Baker, ICE Symposium Paper, Oct 86

Renewable energy technologies which produce electricity

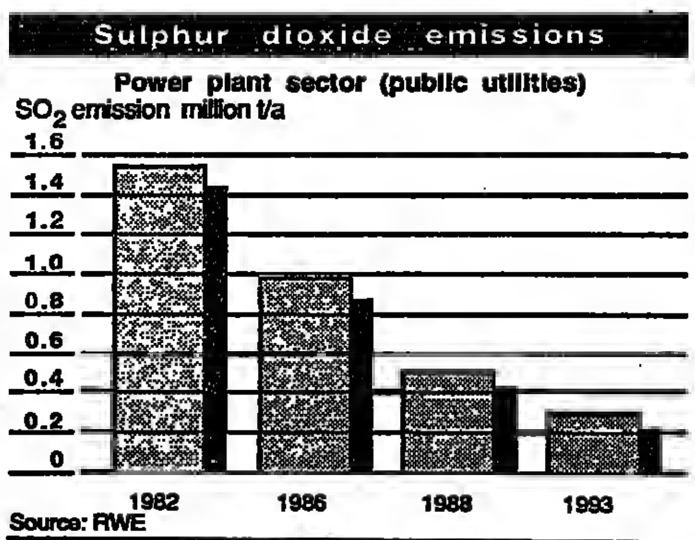
Technology	Category	Economics (Estimated power costs p/kWh)*	Prospects in UK	Constraints on widespread deployment in UK
Hydropower- large scale central generation	•••••	Already deployed by the generating boards.	Almost fully exploited.	Most available sites already developed. (4.3TWh)
Hydropower- small scale (up to 5MW)	•••	Depends on site.	Uncertain: under study at present.	Rates and extraction charges. Environmental impact.
Tidal Power	•••	Unit cost from 3.0, depending on estuary	23 TWh/y (11 Mtce/y) from those estuaries with estimated costs of 5p/kWh or less.	High capital costs and large lead times of large projects. Public acceptability.
Wave Power- large open seas (2GW)	•	9-14 (1982)	Limited by poor economies of present devices. Still scope for improvement.	Economics. Technology not yet proven and developed.
Wave Power- small, shore mounted (1MW)	•••	Could be competitive now in some locations.	Total resource limited by available sites.	Availability of sites. Commercial devices not yet developed.
Wind Power- on land	•••	2.5-3.2 depending on site.	Uncertain, but potential of 15GW, or 10% of present electricity generation.	Public acceptability. Rate of installation.
Wind Power- offshore	•	4-7	Offshore technology not yet proven technically and economically.	Technology yet to be proven in the harsher environment.
Geothermal Hot Dry Rock	•••	3-6 (1985)	Technology is not yet proven technically and economically.	Undeveloped technology. Risk of failure to create a productive well.
Photovoltaics	•	8 to 64 from system costing £1 to £8 per peak watt.	Very limited without a major breakthrough on costs.	Cost. Mismatch between supply (summer) and demand (winter).

KEY
Economically attractive ••••• Promising but uncertain ••• Long shot •

Source: Department of Energy

Pollution control

West Germany shows UK the way



THE PRIVATISATION debate has replaced some other sensitive issoes at the top of the political agenda of Britain's electricity supply industry.

They include acid rain pollution which, before privatisation took centre stage, was one of the main areas of public concern over the side effects of electricity generation, together with the safety of nuclear plants.

But environmental issues have not gone away. Long distance pollution of forests and lakes caused by power station emissions continues to arouse searching comparisons aboot the controls exercised by individual countries.

Moreover, once privatisation has been enacted in the UK, scrutiny of the electricity industry's environmental behaviour could become tougher than ever, especially if a fragmented generating sector lacked the strong political clout of the present Central Electricity Generating Board.

Much pnblic attention has been given to the CEGB's intention to spend up to £1bn on cutting sulphur dioxide emissions from existing and new coal-fired power stations over the next decade, including nearly £200m on reducing the nitrous oxide output from the industry as a whole. (The sulphur emissions are thought to damage aquatic life and nitrogen fall out is believed to affect trees and plante.)

Initially, some £600m is to be apent on sulphur scrubbing at two big generating centres with a total capacity of 6,000 MegaWatts - the two Drax stations in North Yorkshire and the Fiddler's Ferry plant on Merseyside. Flue gas-desulphurisation (FGD) will also be built into the new 2,000 mW coal-burners planned at Fawley, Hampshire, and West Burton, Nottinghamshire.

However, ecologists complain that the programme will only apply to 17 per cent of the Board's existing generating capacity and note that Britain has failed to join 21 other industrial countries, which have pledged to limit power station emissions of sulphur to 30 per cent of their 1980 levels by 1993.

In Europe, the environmental lobby awards its highest marks to West Germany, more than 60 per cent of whose existing coal and lignite burning plants were dua to have been "cleaned up" by the end of 1987, with the rest of its long-life power stations completed by the end of this year.

The urgency with which the Federal Republic tackled the problem reflected the fact that it is a recipient as well as an emitter of acid rain pollution, with various degrees of damage reported in about 54 per cent of the country's extensive forests.

Heavily dependent on coal and lignite for power generation, its clean-up programme is based on two political decisions - a Large Furnace Ordinance, which cuts sulphur dioxide emissions in flue gases to 400 miligrammes per cubic metre; and a resolotion nf EC Environmental Ministers to cut nitrogen nxide concentrations to 200mg per cubic metre.

In a report to last November's FT world electricity conference in London, Mr Werner Hlubek, director of RWE, the biggest West German ntility, noted that desulphurising the power stations would cost from DM12bn to DM15bn - then equivalent to between £4bn and £5bn.

Both in its scale and in its complex side-effects the West German programme demonstrates some of the problems which will also be faced in the UK.

More than 85 per cent of the retrofitted plants in West Germany hava beeen fitted with a limestone-scrubbing procesa which leaves gypsum as a by-product – the kind of plant selected for the CEGB's Drax stations. The scrubbers themselves are the size of 16 storey buildings and when operational weigh 6,000 tonnes.

RWE has added 37 scrubbers of thise size to four lignite-burning sites, with a total capacity of 9,300mW. To do so it required:

□ 300,000 tonnes of steel, enough to build 42 Eiffel Towers;

□ 380,000 cubic metres nf concrete, enough for a 50-mile long, six-lane motorway;

□ about 30km of flue gas ducts, 9 metres in diameter, enough to build nearly a third of tha Channel Tunnel.

In addition, an extensive external infrastrncture was needed to supply the 900,000 tonnes of limestone a year used in the scrubbing process and to take away the 1.4m tonnes a year of gypsum by-product.

Nationally, completion of the German retrofitting programme will leave 4m tonnes a year of gypsum tn be disposed of. Although it is used in the manufacture of plaster-board, the power stations will churn out far too much gypsum to be disposed of in this way, and other environmentally suitable solutions must be sought, such as using it for landfill.

Cleaning np nitrogen emissions requires a smaller capital investment than sulphur removal. However, according to Mr Hlubek, it is technically more difficult, given the lack of technology appropriate to West Germany's lignite power stations. Even so, ntilities and local authorities hope that they can cut nltrous emissions by about 70 per cent of the 1982 level by the end of the 1980s.

The CEGB appears to be anxious about nitrogen scrubbing technology, but is already anticipating some of the problems encountered by RWE in sulphnr removal.

Although it will have to handle large amounts of limestone and gypsum at Drax, it has chosen a different system at Fiddler's Ferry, which uses less lime and produces sulphuric by-products in volumes which are easier to dispose of.

This system is more expensive than the limestone-gypsum route but is preferred by some environmentalists because, they say, it does not solve one problem by creating others, such as qnarrying large amounts of limestone and creating large volumes of gypsum.

Even if the limestone-gypsum route is chosen for other power stations, there are alternative processes to choose from. They include a "spray-dry" which produces a waste product more suitable for tipping or landfill.

One outcome of being slow to introduce FGD, however, is that virtually all the technology which Britain will need will have to be imported under licence, from Japan, the US, West Germany or Sweden.

Another, more fortuitous outcome of the CEGB's ponderous pace is that the power stations may well be in private hands by the time construction starts on their scrubbing facilities. In possible anticipation of the big changes ahead, the CEGB has recently invited the 20 British and foreign companies queuing up for this work to submit proposals for financing it privately.

The other reason for this proposal is that the Government signalled to the CEGB that as a state-owned industry it should try to avoid using public funds for preventing acid rain pollution. This was yet another symptom of Britain's lack of urgency on this issue compared with that in West Germany and other industrialised countries.

Maurice Samuelson

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

INTERNATIONAL BONDS

Hectic scenes at the defensive end of the yield curve

TEN NEW deals totalling $2.35bn in the space of two weeks is quite an achievement for a market that was more or less closed during most of the second half of last year. Houses specialising in Eurodollar bonds can feel a little more secure.

That few, if any, investors really believe the dollar has bottomed out does not matter. It is enough that they are scared of a convincing turnround in sentiment towards the currency.

Just a cautious reassignation of funds, in the light of the currency's rally, especially after the latest set of US trade figures, is having a dramatic effect on demand because dollar portfolios were run down so much during the past two years.

So hectic scenes on Eurobond syndication desks at some points last week were almost reminiscent of the bull market days a couple of years ago, when US interest rates came tumbling downwards.

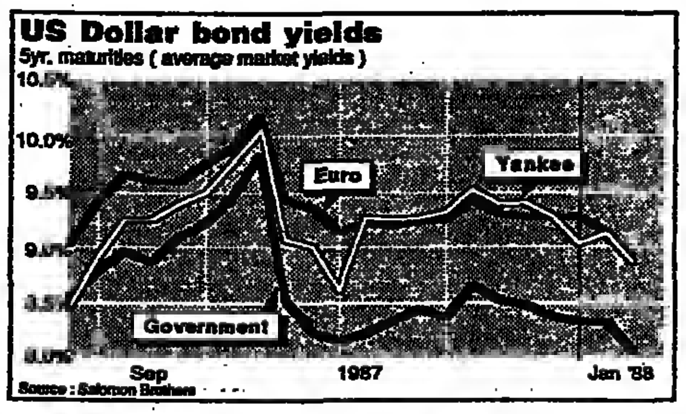
However, two important differences stand out about this year's bonds, and they both bear testimony to the still tentative state of the market.

The first is that six out of 10 deals so far this year have carried maturities of three years or less. Bonds with maturities as short as this were very rare in the Eurobond market until last year, when extreme nervousness set in as interest rates spiralled upwards.

Worries that the dollar can yet be heavily sold, cutting the chances of lower interest rates despite slower US economic growth, mean that most investors still prefer to stay at the defensive end of the yield curve, syndicate managers believe.

Switzerland has been the most vaunted area of demand for the new dollar bonds, but in probability they have been widely distributed throughout Europe and the Middle East, with the longer-dated issues likely to meet more institutional than retail demand.

Japanese buyers have been quiet, although not completely absent from the market. Dealers say some decided to sell US Treasury bonds and buy Eurobonds this week. This was because they were impressed by the way Eurobond yield spreads were maintained during the Treasury market's sharp uptick after the trade figures earlier in the month.



The other important difference between the current and earlier issuing sprees is that borrowers are not obtaining terms on their bonds which anticipate further gains in the market - a turnround from the days when syndicate managers would offer them almost any pricing to get a mandate.

Indeed, almost all the bonds have been thought generously priced, with the partial exception of the seven-year deal for Caisse Centrale de Cooperation Economique. This looked a touch tight, with an initial yield spread of only 70 basis points over the US Treasury yield curve, but was bailed out by a rising market.

Of course, the cost of issuing some of the bonds was subsidised in other ways. Both Nippon Telegraph and Telephone and Japan Finance Corporation are believed to have been offered highly attractive swap rates.

Others combined their fairly priced looking bonds with issues of speculative instruments, to pare their overall cost. Swedish Export Credit's bond, for instance, was preceded by some currency warrants, launched by the same lead-manager, and General Motors Acceptance Credit issued debt warrants into a seven-year bond along with its attractive-looking three-year issue.

However, GMAC's $200m deal is nevertheless notable as the first fixed rate Eurobond for a US corporate since the stock market crash.

Issues dried up when yield differentials widened out sharply in the Eurobond market and borrowers diverted funding to the US domestic market instead. But lack of supply has driven Eurobond yield margins down sharply since then.

For sovereign and supranational borrowers wishing to issue bonds with up to five-year maturities, Eurobond terms are now probably slightly better than those in the Yankee market - the US domestic market for foreign borrowers. Beyond that maturity limit, they would have to pay a premium in the Eurobond market.

Of course, it need not be a straight choice between the two markets.

The main point, syndicate managers insist, is not the simple differential in basis points but the psychological effect on borrowers of seeing Eurobond yield differentials moving in the right direction. Whether they continue to do so seems sure to be tested by a string of further new issues this week.

One might expect some resistance to a further three years after last week's rush of bonds. But a 10-year deal for a sovereign borrower, rumoured in a number of quarters last week, would perhaps provide the best test of whether investors really want to play in the Eurodollar bond market again.

Clare Pearson

EURONOTES AND CREDITS

GMAC leads the way in reviving medium-term notes

AS THE Eurodollar bond market enjoys a revival, there is growing interest in a newer market in dollar-denominated debt: that in medium-term notes. Although investors may not be willing to bet that the dollar has yet hit bottom, quite a few believe it may do so soon and want to position themselves accordingly.

General Motors Acceptance Corporation, the largest issuer of medium-term notes – issued continuously like commercial paper, but with maturities of one to five years – has been posting rates which look attractive to investors. It has increased its outstandings steadily since early December.

According to Mr Jerome van Orman, director of US borrowings, about 9 per cent of the $11.5bn of outstanding GMAC medium-term notes were placed in Europe, where GMAC thus accounts for at least half the market.

GMAC reckons the all-in cost of borrowing in the MTN market averages some 5 basis points more than the Eurobond market; a yield difference which presumably represents some compensation to investors for lack of liquidity.

Posting identical rates in the US and Euromarket, it sold two-year paper at 8.15 per cent to both markets on Friday morning. GMAC's policy is not to issue in Europe unless the cost is competitive with the US market.

For this reason, its Eurocommercial paper outstandings have fallen to around their lowest levels, about $250m, since reaching a peak of about $1bn in the 1986 summer.

In fact, Mr van Orman believes GMAC's MTN programme in Europe has been a far greater success than its ECP programme, where its ability to issue at competitive rates has only been intermittent.

He says the MTN market, despite its youth, appears to be more global. He is not sure of the reason why, but it appears partly linked to the continued use by ECP investors of the interbank market as a yardstick, and the way European and US investors view bank risk.

GMAC, which borrows in the US at 20 basis points below, say, Bank of America, could borrow only at the same rate in Europe.

Bankers in the Eurocredit market, meanwhile, report extraordinarily heavy inquiries about possible transactions. But precious few mandates have emerged so far this year.

There was predictable grousing at the terms for Thailand's $300m five-year revolving credit, co-ordinated by Citicorp. But supporters – not just Citicorp – argue that the pricing was fair for Thailand.

They point out that the deal is in any case effectively done since 12 lead managers are already committed.

The financing, a backstop to support short-term advances which will be open to tender, is being syndicated with a 5 basis point facility fee, a margin of 5.5 basis points above Libor, and utilisation fees of 2½ basis points if more than a third drawn and 5 basis points if more than two-thirds.

Top front-end fees work out to just over 3 basis points on an annualised basis.

Citicorp was mandated by The Mortgage Corporation, the UK mortgage lending subsidiary of Salomon Brothers, for a £100m mortgage-backed passthrough facility.

It is the borrower's first securitisation of mortgages outside the still-young market for UK mortgage-backed floating rate notes, though it says it still intends to issue such securities.

The facility, nominally for 25 years but expected to have an average life of five to six years, pays interest at 42.5 basis points over Libor for 10 years and 50 basis points subsequently.

Banks are protected from mortgage defaults by a £500,000 credit loss provision and a separate £5m tranche which ranks behind the £100m placement.

A $43m partial acquisition financing is being arranged by Samuel Montagu. The borrower is Alexander Proudfoot, a British company formerly known as City and Foreign Holdings, but which has already changed its name to that of the larger US company which it bought. Margin on the 4½ year deal is between 1¼ and 2 per cent above Libor.

Swiss Bank Corporation International increased a financing for Transamerica Financial from $600m to $800m. It is also arranging a $500m Eurocommercial paper programme for Rabobank.

Stephen Fidler
Alexander Nicoll

Société Générale chief under attack by De Benedetti

BY JOHN WYLES IN ROME


De Benedetti: optimistic of success

MR CARLO De Benedetti, the Italian financier and industrialist who is fighting for effective control of Société Générale de Belgique, yesterday accused the president of the Belgian conglomerate, Mr Rene Lamy, of being interested only in his own personal power.

Mr De Benedetti's tough attack on the Société Générale management will be seen as leaving very little hope for a negotiated accord on the Italian's bid to raise his 18.6 per cent stake in the Belgian group to around 33 per cent.

Nevertheless, Mr De Benedetti appears optimistic in an interview published in the latest edition of the weekly magazine Panorama that he will eventually prevail in his aim of creating "a European holding company which will not be an investment holding, but a centre of industrial initiatives."

He reveals that he first discussed taking a stake in Société Générale with Mr Lamy almost a year ago. When he eventually did so 10 days ago and then proposed keeping the present management in place, Mr Lamy's reactions demonstrated that "his judgment of my proposal did not take any account of the interests of the company, but only of his position of power," says Mr De Benedetti.

Société Générale's defence, based on a move to dilute the Italian shareholding to a 60 per cent increase in capital, is "absurd", claims Mr De Benedetti. There is no accompanying investment plan and the intention is only to dilute the holding of "an unwelcome shareholder". He adds "this is the classic attitude of one who has been accustomed for too long to not taking the interests of shareholders into account".

Mr De Benedetti says he believes he will succeed in persuading the Belgian industrial establishment to accept him. Asked about the attitude of Lazards, the investment bank which has the second largest shareholding in Société Générale, 5 per cent, he says that the bank "knows how to judge a winning project."

Loss for United Gulf Bank

UNITED Gulf Bank has reported a 1987 net loss of $37.3m.

The bank, hit hard by non-performing loans and being taken over by Kuwaiti interests through a share tender this month, is refocusing its business on strategic investment activities and has now sold the whole of its Latin American debt portfolio.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	60.3	0.7	7.0	6,834.5
Prev	6.2	0.0	197.0	8,432.3
Other	1,379.2	0.0	1.2	732.9
Prev	310.8	0.4	423.4	843.6
Secondary Market				
US$	15,231.5	1,613.4	9,991.9	6,081.4
Prev	15,213.1	1,008.5	9,274.1	11,945.7
Other	23,921.3	979.7	3,544.5	19,502.5
Prev	18,404.0	629.5	5,109.2	12,388.4

	Cedel	Euroclear	Total
US$	11,359.4	28,061.3	39,420.7
Prev	17,048.1	29,028.8	46,076.9
Other	22,042.3	27,819.0	49,861.3
Prev	16,996.6	21,112.7	38,109.3

Week to January 21, 1988 Source: AIBD

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Dealers shrug off the bad news

THE GILT-EDGED securities market ended an eventful week in much higher spirits than it has since November. A sprinkling of retail buying together with primary dealers lengthening their positions left the market higher by more than two points over the week and yields at the long end lower by 0.25 percentage points at around 9.52 per cent.

The release of a number of official statistics - December retail sales and November industrial production - supported the view that a modest slowdown in growth is in prospect. Bank lending and monetary aggregate figures which could indicate the opposite were largely ignored.

The public sector borrowing requirement figures also reinforced the market's view that the *PSBR* out-turn would be propitious for tax cuts and a negligible borrowing requirement in the coming financial year. The lengthening of primary dealer positions, and hence the market's strength, indicates they expect good trading conditions in the run-up to March 15.

The market's behaviour had all the hallmarks of one predisposed to interpreting the latest economic data in the most favourable way. This is despite some quite odd seasonal adjustments in some of the numbers.

It does not seem very credible that industrial production could have fallen by 0.5 per cent from October to November when during November workers in British manufacturing worked 13.78m hours of overtime a week - a record for the decade.

The retail sales figure also looked a little curious. On a seasonally adjusted basis, retail sales have surged in November but fallen in December for the past three years. Perhaps there is reason to question the seasonal adjustment weighting in the December figures.

Against these two figures was the money aggregates data for December on Thursday. A record bank lending figure was discounted by the market and explained away by recourse to "round tripping." This was despite the fact that opportunities for companies to round-trip were rare during December and occurred at the end of the month.

On the basis of these reservations it appears far too early to be definative about the pace of growth in the UK. This week's trade figures will add another piece to the puzzle.

What is most apparent from the table reproduced below, is the trend for foreign investors to replace UK institutions as investors in gilts.

This is a function of a number of developments: the UK institutions' love affair with equities; changes to the taxation of building societies making gilts less attractive to hold; Big Bang and the international diversification of bond portfolios. Most of the above factors, with the exception of last, relate to domestic investors. A credible explantion for foreign investment - especially the extraordinary rise in holdings this financial year - would seem to be a mixture of high nominal yields relative to West Germany and Japan, and a stable exchange *rate relative to the D-Mark* and Yen and an appreciating rate relative to the dollar.

The growth of foreign investment in gilts would, therefore, seem to have a number of implications for the market and the Bank of England.

The exchange rate assumes far greater importance: It is the lure to those in search of yields - the Japanese or the Germans - and those in search of currency gain - the US investor.

If the foreigner becomes a permanent fixture in the market then government policies which are anti-inflationary and exchange rate stabalising become important not only because they may be virtuous in themselves but because foreign investors may not like it if they are not.

The Bank may have to issue more stock in the 7-10 year area, with high coupons and free of tax. Also, the advent of a Tokyo market for gilts, replete with IDB trading, would seem to have implications for the Bank's ability to influence the market.

Simon Holberton

FOREIGN AND DOMESTIC PURCHASES OF GILTS

	Net Sales†, £m	Domestic, £m	Foreign, £m
1982/83	5,140	4,609	659
1983/84	11,677	9,774	1,167
1984/85	10,223	9,339	1,339
1985/86	5,675	2,803	2,276
1986/87	6,132	1,576	2,822
1987/88*	4,502	1,061	4,684

Source: Bank of England; † Foreign + UK non-banks + monetary sector; * year to end Nov.

US MONEY AND CREDIT

Fillip for bonds from a deathly calm in equities

A TOUR around Nikko's New York dealing rooms last week afforded a glimpse of life under bear market conditions. The equity trading room sat in deathly calm. Hardly a phone rang. The story was the same on the floor of the New York Stock Exchange a few blocks east - no investors.

The only excitement for Nikko's equity dealers last Thursday - the day the Dow Jones Industrial Average mustered a gain of 0.17 points - was listening vicariously to the shouts and telephone bells ringing in the bond dealing room just around the corner.

Nikko's bond traders were getting steamed up about weekly figures showing a sharp jump in the number of people claiming state unemployment benefit in the first week of January (how many of them former denizens of Wall Street dealing rooms?)

Together with a plunge in housing starts and a very moderate gain in consumer prices reported earlier in the week, those figures were seen as a sure-fire sign that the economy was headed for recession. That remains to be seen.

In the short-term, the bond market can take cheer from an improved technical picture. The Treasury's benchmark 8.875 per cent 30-year issue closed last Friday with a yield of 8.65 per cent, the lowest since last July.

One of the factors which helped was the Treasury's announcement that it would sell only $8.75bn in its monthly two-year note auction on Wednesday instead of $9.25bn. That news suggested to many in the market that the Treasury could similarly scale down its early *February* auctions of three, 10 and 30-year paper (to be announced on Wednesday) to perhaps $26bn of $27bn from $28bn.

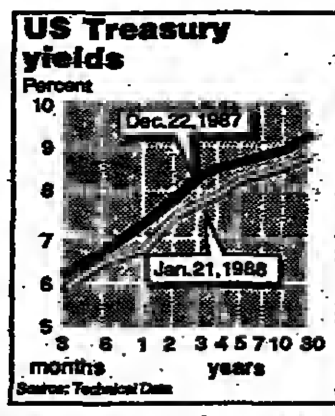
The reason behind this sudden relaxation in the Treasury's need to fund is the substantial inflow of dollars from central banks which have been propping up the currency. The bill market has been the beneficiary of the bulk of these inflows. At last week's auctions of three- and six-month bills, foreign official institutions rolled over their maturing holdings and bought an additional $2.5bn in bills. These "add-ons" mean that the Treasury needs to borrow less through public auctions.

Because of the sheer scale of central bank dollar purchases through open market foreign exchange intervention, any shift in a central bank's portfolio strategy can have a dynamic impact.

Nikko's bond traders had more reason to be excited on Thursday than the unemployment data. There had been reports running on a Japanese *news wire in Tokyo earlier that* day that the Bank of Japan was contemplating investing some of its foreign reserve assets in US 10-year and 30-year Treasury bonds.

The bulk of the central bank's purchases have been in short-term US government paper although it has been known to invest as far out as seven years on the maturity spectrum.

The Bank of Japan and Ministry of Finance did not confirm these reports but went to some lengths to avoid specifically denying them and Japanese securities houses in London, Tokyo and New York appeared to assume the plans were indeed in place to shift investment into longer maturities.



Purchases of 10-year bonds seem likely although it is still not clear whether the Bank of Japan will participate directly in the 10-year auction in early February. Investment in 30-year bonds seems less likely as there is believed to be some opposition within the Ministry of Finance to investing at very long maturities which carry more risk.

Lenghtening maturities makes a lot of sense, not only in terms of pure investment strategy, but also as part of continuing cooperation between Group of Seven central banks.

Substantial official purchases of Treasury bills has tended to distort yield relationships with yields falling at the very short end and long yields remaining remarkably high given present inflation and relatively subdued inflationary expectations.

It seems that the Bank of Japan's preparedness to shift longer is partly as a favour to the US Treasury. Buying longer bonds would not only relieve technical difficulties in the bill market but would provide a confidence-building example to non-official investors in bonds and therefore help bolster demand for dollars.

Speculation of this shift in the Bank of Japan's investment strategy has been floating around Tokyo for some weeks and it remains unclear whether the central bank will actually invest in longer maturities at the forthcoming auctions.

Mr Mark Cliffe, economist with Nomura in London, says longer-dated investment by the Bank of Japan would have a tremendously positive impact on sentiment in the US bond market. *However, the Bank of* Japan may view investing out along the yield curve as an option, perhaps at times of dollar weakness. "I see this as ammunition which can be kept in *reserve*," Mr Cliffe says.

The following are the economic indicators due for release this week, together with market expectations as surveyed by Monday Market Services of Redwood City, California:

- Durable goods (Tuesday 8.30 am) are estimated to have risen 0.2 per cent in December, with a range of minus 0.5 per cent to plus 3.3 per cent.
- Preliminary fourth quarter GNP (Wednesday 8.30 am) is expected to have risen by 3 1/2 per cent, with a range of plus 2.2 per cent to plus 4.5 per cent.
- Personal income and expenditure (Thursday 10 am). Income is expected to have risen by 0.5 per cent with forecasts ranging from minus 0.3 per cent to plus 1 per cent. Spending is expected to have risen by 0.7 per cent. The range of forecasts is plus 0.4 per cent to plus 1 per cent.
- M1 money supply (Thursday) is expected to have been flat.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.78	6.85	6.75	7.78	5.98
Three-month Treasury bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six-month Treasury bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three-month prime CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30-day Commercial Paper	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90-day Commercial Paper	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US BOND PRICES AND YIELDS (%)

	Last Pr.	Change on wk	Yield	1 week ago	4 wk ago
Seven-year Treasury	[illegible]	[illegible]	8.28	[illegible]	[illegible]
20-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30-year Treasury	[illegible]	[illegible]	8.65	[illegible]	[illegible]
New 10-year A Financial	N/A	N/A	[illegible]	[illegible]	[illegible]
New AA Long utility	N/A	N/A	9.43	[illegible]	[illegible]
New AA Long industrial	N/A	N/A	9.60	[illegible]	[illegible]

Source: Salomon Bros (estimates).
Money supply: In the week ended January 11, M1 rose $1.2bn to $757.8bn.

NRI TOKYO BOND INDEX

December 1983 = 100	21/1/88	17/1/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	141.42	[illegible]	4.48	141.26	137.38	[illegible]
Government Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Municipal Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Govt.-guaranteed Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Debentures	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Corporate Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen-denom. Foreign Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Government 10-year†			4.93	—	4.98	5.29

Source: Nomura Research Institute. † Estimated par yield

Buoyant take-off by Japanese CP venture

BY IAN RODGER IN TOKYO

JAPAN'S FLEDGLING commercial paper market has grown much faster than most analysts expected. The outstanding balance of commercial paper in the market stood at Y1,900bn on January 21, up 15 per cent since the end of December.

When the market opened last November 20, analysts said the outstanding balance would reach only Y1,000bn by the end of the year. Some thought that after an initial flourish it would soon become moribund, like the Tokyo bankers' acceptances market.

However, 39 companies have issued commercial paper so far, and there is no sign of a slowdown in the flow. "It is unbelievable," Mr Steve Mazloumian, treasurer of Barclays Bank in Tokyo, said yesterday, adding that most of the paper has been snapped up by end investors, leaving very little in the secondary market.

Issuers have been attracted mainly by the relatively low rates in the market, an official of a leading Japanese bank said. When the market opened, competition was such that interest rates dropped to very low levels. Some companies simply took their CP proceeds and deposited them in the bank.

Now, interest rates are slightly above 4 per cent, but they are still lower than the 4.3 per cent or so on bellwether three-month certificates of deposit. Analysts also thought the securities companies would lead the way in the CP market, seeing it as an unprecedented opportunity to compete with bank lending, while banks would drag their feet.

In fact, banks have underwritten 60 per cent of the paper issued so far, while securities firms have purchased 40 per cent.

From next Friday, foreign companies will be allowed to issue yen commercial paper in Japan (samurai commercial paper).

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds where it is in billions. [illegible]
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]
WARRANTS: [illegible] Closing prices on JANUARY 22

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Ian Rodger examines the latest dollar debate surrounding Tokyo's central bank

Bank of Japan may enter US bond auction

THE REPORT last Thursday that the Bank of Japan would soon begin buying medium and long-term US Treasury bonds has highlighted the growing nervousness in Tokyo about the next quarterly US government bond auctions, in February.

The Bank of Japan and the Ministry of Finance both refused to comment on the report by a Japanese news agency, Jiji Press, but they both also acknowledged that the matter was highly sensitive.

The question of Japanese participation in US Treasury bond auctions has become a matter of critical concern to both the US and Japanese authorities. The Japanese are estimated to have bought about $40bn in bonds at the auctions last year, about a third of the total issued. However, it is known that the big Japanese institutional investors are fed up with suffering huge exchange losses on these bonds and, in fact, have already sold most of last year's purchases in the secondary market.

As the dollar is still rather wobbly, it is unclear, to say the least, how much the institutions will participate in the next auction. If they do not participate, that would put upward pressure on US interest rates. The US authorities want to avoid interest rate increases in an election year and so, it is thought, they would be tempted to ease monetary policy instead. That would raise the risk of inflation in the US, probably causing the dollar to fall still further.

The Japanese Government is horrified at the prospect of any further substantial fall in the dollar and so, it is widely speculated in Tokyo, it will begin to buy US bonds for its own accounts. As it would be bizarre for a government to participate in the auctions, these purchases would be negotiated directly with the US Federal Reserve.

According to Jiji's report last Thursday, the Bank of Japan was considering increasing its purchases of long-term US treasuries in the near future, partly to improve its overall yield on US government securities and partly to help smooth the sales of US government bonds and reduce the pressure for an increase in US interest rates. A BoJ official would say only on Friday that the bank never commented on the management of its official reserves.

Jiji also published a report two months ago that the Japanese Government would soon direct its postal savings and pension funds to buy US Treasury bonds directly from the Federal Reserve. That report was denied vehemently by the MoF at the time. However, it is not uncommon in Japan for ideas to be floated in this way before their adoption as official policy. And in these cases, both ideas are being discussed openly these days by private sector financial leaders.

The Bank of Japan is believed to have a particularly acute problem. Its foreign reserves soared by some $37bn last year to $81.5bn, largely because of its intervention in foreign exchange markets in support of the dollar. Like most central banks, it places a large portion of its reserves in short-term US Treasury bills. Tokyo analysts suspect that these placements rose sharply last year and that they were, in part, responsible for a significant deterioration in bill yields.

> **Speculation about a shift in policy within the Bank of Japan towards its investment in US bonds was one factor buoying Treasury bond prices in the latter half of last week. The Treasury's 30-year benchmark issue ended last Friday with a yield of 8.65 per cent compared with 8.77 per cent a week earlier. The possibility of the Japanese central bank shifting its focus into longer-term maturities is widely seen on Wall Street as another method of financial markets co-operating with the US authorities.**

Thus, the idea that it diversify its holdings of US Treasuries into longer bonds, where the yields are higher, is not particularly surprising.

The suggestion that the Japanese central bank and other government agencies will substantially increase their overall purchases of US Treasuries this year in order to help the US Government through its political and financial difficulties is more problematical.

Many Tokyo analysts suspect that something along these lines will happen, perhaps not at the time of the next auction but later in the year, depending on the course of the dollar and other factors. Also, the implementation could be gradual. Analysts point out that the use of more of the central bank's reserves, which are in dollars, for purchasing Treasury bonds would probably have less impact on the foreign exchange market.

In any event, it is thought that the Japanese side will try hard to win some concessions from the US before agreeing to this sort of direct support. The most popular suggestion in Tokyo these days is that the US Government should agree to issue Treasury bonds in foreign currencies, the so-called Reagan bonds.

That way, Washington would have to take on some of the risk of any further fall in the dollar's value. However, it may be that the Japanese are more desperate to prevent a further fall of the dollar than the US authorities are to prevent inflation.

Kodak victory fails to allay US fears

BY RODERICK ORAM IN NEW YORK

EASTMAN KODAK'S victory over Hoffman-La Roche, the Swiss drugs group, late last week in the battle for Sterling Drug is unlikely to allay revived US concerns about Swiss corporate and secrecy laws.

Several Congressmen are urging Washington to study whether Swiss laws impair US shareholders' rights when a Swiss company tries to take over a US target despite Hoffman-La Roche's speedy withdrawal of its offer for Sterling after the New York drugs company agreed to a higher $5.1bn bid from Kodak, the photographic group.

Sterling had vigorously fought the Swiss bid while it searched for an alternative. It filed suit against Hoffmann-La Roche alleging falsification of dealings to hide profits, insider trading by officers and subsidiaries, and failure to disclose important corporate details.

Representative Bill Green, a New York Republican, has asked the Securities and Exchange Commission (SEC) to analyse whether Swiss secrecy laws undermine US shareholders' rights or hamper SEC investigations.

The Swiss have gradually eased their strict banking secrecy rules in recent years, allowing greater co-operation with foreign agencies. But wide differences between Swiss and US laws remain.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sanken Electric♢♦	100	1993	5	5	100	Daiwa Europe	5.000
Nichiei Co.♢♦	100	1993	5	5	100	Yamaichi Int.(Eur)	5.000
Hanwa Co.♢♦	150	1993	5	5	100	New Japan Secs.	5.000
Taiyo Kagaku Co.♢♦	50	1993	5	5⅛	100	Nomura Int.	5.125
Intec Inc.♢♦	100	1993	5	5	100	Nikko Secs. (Europe)	5.000
Showa El.Wire & Cable♢♦	100	1993	5	5	100	Daiwa Europe	5.000
CCCE♦	300	1995	7	9¼	101⅜	Banque Paribas	8.903
Norway♦	500	1993	5	8¾	101¼	Merrill Lynch	8.433
Toyo Construction♢	50	1993	5	(5)	100	Nomura Int.	*
Yuasa Battery♢	50	1993	5	(5)	100	Nomura Int.	*
NTT♦	200	1995	7	9⅜	101⅜	J.P. Morgan Secs.	9.101
Optec Dai-Ichi Denko♢	70	1993	5	(5)	100	Yamaichi Int.(Eur)	*
Nippon Sheet Glass♢	100	1993	5	(5)	100	Daiwa Europe	*
GMAC♦	200	1991	3	8¾	101⅛	Morgan Stanley	8.311
BP America (a)♦	250	2018	30	9⅞	98.3	Morgan Stanley	10.056
Eksportfinans♦	150	1991	3½	8½	101⅛	Merrill Lynch	8.090
Export Dev.Corp.Canada♦	200	1991	3	8¼	100⅞	CSFB	7.911
Japan Finance Corp.♦	150	1995	7	9¼	101¼	IBJ Int.	9.002
Topy Industries♢	70	1993	5	(5)	100	Nikko Secs. (Europe)	*
Settsu Corp.♢	100	1993	5	(5)	100	Daiwa Europe	*
Swedish Export Credit♦	250	1991	3	8⅜	101¼	Bankers Trust Int.	7.891
CANADIAN DOLLARS							
Fed.Business Dev.Bank♦	50	1991	3½	9⅝	100¾	McLeod Young Weir	9.327
Fed.Business Dev.Bank♦	75	1992	4½	9¾	100⅝	McLeod Young Weir	9.541
AUSTRALIAN DOLLARS							
Council of Europe♦	50	1993	5	13	101¾	CIBC	12.508
NordLB Luxembourg♦	50	1991	3	12¾	101½	NordLB Girozentrale	12.124
D-MARKS							
Sweden♦	300	1995	7	5½	100½	CSFB-Effectenbank	5.412
Oest.Kontrollbank♦	300	1993	5	5	100⅜	Dresdner Bank	4.914
NTT♦	300	1998	10	6⅛	100¼	Deutsche Bank	6.091
Export Credit Bk Turkey♦	200	1994	6	6¾	100	Dresdner Bank	6.750
Nakamichi Corp.§	50	1993	5½	(2)	100	Nikko Secs.(D'land)	*
SWISS FRANCS							
Union Bank of Norway♦	75	1995	-	4¾	100¼	Mgn Guaranty (Switz)	4.707
Queensland Dev. Auth♦♦♦	89	1992	-	4¼	100½	Credit Suisse	4.112
Tec Electronics Corp.§♦♦	80	1993	-	(1½)	100	B.della Svizzera It.	*
FAI Financial Services♦	100	1993	-	5¼	100	S.G. Warburg Soditic	5.250
Hitachi Credit Corp.♦♦♦	50	1993	-	4½	100¼	UBS	4.563
EDF♦	150	2008	-	5	99½	UBS	5.020
World Bank♦♦♦	75	1994	-	4½	100¼	B.della Svizzera It.	4.327
ECUs							
Kredietbank Int.Fin.♦	50	1993	5	7½	100¼	Kredietbank Int.	7.438
Credit Local de France♦	50	1991	3	7½	101	UBS (Secs)	7.115
DANISH KRONER							
BFCE♦	320	1991	3¼	10¼	100⅞	Privatbanken	10.094
LUXEMBOURG FRANCS							
Copenhagen Tel.♦♦♦	300	1993	5	7⅜	100	Kredietbank Int.	7.375
Bergen Bank♦♦♦	300	1995	5¼	7½	100¼	Bqe Paribas (Lux)	7.429
YEN							
Banca Naz.del Lavoro♦	20bn	1993	5	5¼	101¾	Sanwa Int.	4.724
Austria♦	30bn	1998	10	5¼	102	Daiwa Europe	4.991
Austria♦	40bn	2003	15	5⅜	102	Daiwa Europe	5.427
Societe Generale (b)♦	7bn	1993	5	7	101⅞	Mitsui Fin.Int.	6.448

♦Not yet priced. ♦♦Private placement. ‡Final terms. §With equity warrants. §Convertible. †Floating rate note. (a) Launched on US domestic market. (b) Redemption price linked to price of Japanese Govt. bond futures. Note: Yields are calculated on AIBD basis.

TDK turns in 20% gain in earnings

By Carla Rapoport in Tokyo

TDK, the world's largest manufacturer of magnetic tapes, showed a 20 per cent rise in profits for the year ended last November, thanks to increased sales of electronic components and cheaper imports resulting from the appreciation of the yen.

At the same time, Kenwood, a leading Japanese audio equipment maker, showed a jump in profits for the same year.

TDK reported pre-tax profits up to Y32.6bn on sales slightly down to Y352bn ($2.76bn). The company said that increased sales of components helped compensate for the continued decline of magnetic tape. Exports in the period fell 0.7 per cent.

Kenwood said its pre-tax profits in the year was 13.5 per cent up at Y2.5bn because of higher plant utilisation, a reduction of material costs due to the increased value of the yen and a 16.5 per cent increase in domestic sales.

More Spanish bank links seen

BY DAVID WHITE IN MADRID

MR ALFONSO ESCAMEZ, chairman of Banco Central, the largest Spanish commercial bank, praised the planned merger between Banco de Bilbao and Banco de Vizcaya at the weekend and said Central was "open" to the idea of taking a similar step.

The merged Basque group, due to be called Banco Bilbao-Vizcaya, would be significantly larger than Central and would be the first Spanish bank to rank among the European top 40.

The Banco Central chairman said any link-up involving his bank would have to be on the basis of a friendly agreement and thorough preparatory studies.

Mr Escamez, who at 72 is the most veteran of Spain's leading bankers, made the remarks at a shareholders' meeting in which Central's new main shareholder, a joint venture between the Construcciones y Contratas building concern and the Kuwait Investment Office, secured four places in an enlarged 22-member board.

The venture, called Cartera Central and controlling over 12 per cent of Central's stock, is expected to place a further three members on the board later this year.

The bank announced a 21 per cent increase in its pre-tax earnings for last year to Pta32.18bn ($284m) and proposed to raise its dividend from Pta150 to Pta176 per share.

The unexpected agreement between the Bilbao and Vizcaya groups has been followed by rumours of a possible link between two or more of the four chief Madrid-based private banks – Central, Banco Espanol de Credito, Banco Hispano Americano and Banco Popular Espanol – in order to counter the new concentration of financial power in Bilbao.

Banco de Bilbao and Banco de Vizcaya, which between them account for over 20 per cent of Spanish commercial bank deposits, have given themselves four years to complete their merger.

The period coincides with the last transition phase for open competition with EC banks in Spain.

The merger agreement, expected to be signed in Bilbao on Wednesday, provides for the immediate creation of a holding company, 50 per cent owned by each bank and bringing together the two full boards, to head the group until the merger is formalised.

Shareholders' meetings next month will be asked to approve adjustments in capital to enable an equal-basis exchange of their shares for shares in the future joint bank. Vizcaya currently has 27.6m shares of Pta750 nominal each, with a total current value of Pta366.4bn, and Bilbao 47.5m shares of Pta500 nominal, worth Pta346.6bn.

Formal approval by shareholders of the merger plan is due by July 31. During the four-year interim period, the new bank is to be headed by both chairmen, with Bilbao's Mr Jose Angel Sanchez Asiain acting as "primus inter pares" for the first two years and Vizcaya's Mr Pedro Toledo for the subsequent two years.

Together with subsidiary banks, the two groups currently employ a total of 33,000 and have over 3,300 branches. The merger implies a concentration of holdings not only in banking but in the electricity industry.

Baloise sets up takeover defence

By John Wicks in Zurich

BALOISE, the Swiss insurance group, has taken defensive action to ward off an unfriendly bid, having identified an unnamed but "probably foreign" group which, it is claimed, is aiming to acquire a substantial interest in the company.

The registered shares of Baloise fell from SFr1,960 before the stock market crash to SFr1,425 by mid-November but have since been rising, to reach a record SFr2,040 at the end of last week's trading. The company believes that between 10 and 20 per cent of its capital has been bought up for the outside interests.

To stop further purchases on their behalf, it has cut from 3,000 to 1,000 the number of registered shares which can be entered into the share register by individual shareholders. The Baloise statutes lay down that only Swiss nationals may be registered and that un-registered shares are entitled to neither their votes nor dividends.

Elf hits at Tricentrol's valuation and refinancing

BY NIKKI TAIT

Elf Aquitaine, the French oil group which is currently waging a £135m bid battle for independent oil exploration company Tricentrol, hit back over the weekend at its target's independent asset valuation and proposed refinancing package.

On Friday, Tricentrol published an independent valuation, undertaken by energy consultants ERC, putting a net value of £350m on its petroleum assets as at December 31. Net assets per share, on a fully diluted basis, amounted to 225p, against Elf's offer of 145p. Tricentrol also disclosed some preliminary details of a scheme to refinance Wytch Farm, pay off corporate debt and to finance interests in Amethyst and North Ravenspurn. However, it added that the financing package is not yet finally in place.

Over the weekend, Elf criticised the financing programme for lack of detail – in particular, for not spelling out "the inevitable pre-conditions" to the four part proposals. "It will take many weeks, possibly months, to complete the financing", said Elf. "In the meantime, shareholders are at the mercy of such pre-conditions, many of which, such as market conditions, will be outside the control of the company."

As far as asset valuation is concerned, Elf is expected to send a report from James Capel's Petroleum Services Department to shareholders early this week. The analysts have arrived at a range of figures for Tricentrol's assets, but say that the mean figure is 88.5p a share. Yesterday, Elf's advisers declined to detail the assumptions underlying that conclusion, ahead of the full letter to shareholders.

They did, however, criticise the ERC valuation – claiming that it is "full of highly optimistic economic and financial assumptions which inflate the value of the company". In particular, Elf maintains that ERC "appears to have inflated its valuation by a massive amount by assuming that Tricentrol can spend £10m per annum from the early 1990s on acreage they do not yet own." Taking the wording of defence document at face value, suggests the bidder, the overvaluation could be in the order of £60m

"Whilst they have, therefore, assumed the substantial tax benefits from this expenditure," argues Elf, "they have totally ignored the cost of the exploration expenditure."

Sketchley in £5m Canadian sale

By Nikki Tait

Sketchley, the diversified dry cleaning company, announced at the weekend that it has sold its Canadian-based subsidiary, Sketchley Cleaning Services Limited, in a deal worth around C$12m (£5m).

The Canadian business takes in 137 dry cleaning shops in Toronto and Ottawa. In the year to March 1987, the wholly-owned subsidiary made an operating profit of £103,000 on sales of around £11.4m, and Sketchley says that its performance in the current year has not shown the required improvement. The UK parent signalled that it was looking to dispose of the business back in September, when it acquired food and beverage vending systems group, Roboserve.

The Canadian operations are being sold to their general manager, Mr Rob Myhill, who is being backed by Toronto-based property developer, Cresson Corporation. The purchase price comprises C$600,000 in cash, C$1.4m in redeemable preference shares and the repayment of C$600,000 of inter-company loans. In addition, the buyer will assume about C$9.4m of external debt; Sketchley will continue to guarantee C$4.75m of debt in return for demand debentures containing a floating charge over the Canadian company's assets. According to Sketchley, the deal should enhance shareholders' funds by some £2.5m.

ER shareholders take Granada preference

Granada, the TV and leisure group which took over rival Electronic Rentals in a cash and convertible shares bid worth £250m at the end of 1987, says that elections for additional convertible preference shares have substantially exceeded requests for additional cash.

Instead, then, Granada has worked out that ER shareholders who made elections under the additional share election will receive approximately 3.07 new convertible preference shares in Granada and 105.9p in cash for every five ER shares for which they elected.

B.C.E. falls but sees recovery

B.C.E. Holdings, manufacturer of snooker and pool tables and accessories, and operator of amusement centres, has seen its first half profit sink from £337,000 to £102,000 mainly as a result of declining margins.

But in the second half trading had been ahead of budget and, with margins recovering, outlook was encouraging. Expectations were for a year's profit not far short of the £1.1m achieved in the 12 months ended March 31 1987.

In the half year ended September 30 1987 turnover of this USM quoted group was unchanged at £4.27m and trading profit fell to £304,000 (£522,000). Interest charges were up to £202,000 (£185,000). An interim dividend of 0.4p is declared.

The directors explained there was a fall off in domestic demand and seasonal factors came into effect.

Hanson reminder

Hanson has written to certain stockholders, reminding them that conversion rights on the £178m worth of 8 per cent convertible loan stock and on the £148.7m of 5.75 per cent cumulative preference shares, can be exercised next month for the first time.

Hanson argues that loan stockholders who exercise the conversion right will see their income rise by 3.6 per cent.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition.

Mowat Group (Section: Property).

Shorco Group (Buildings).

Swanyard Studios (Third Market).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims– GT Japan Inv Tst, McKay Secs, London Shop Prop, Lysander Petroleum, Oceans Cons, Racal Electronics

Finals– Crescent Japan Inv Trust, KLP Group, New Tokyo Inv Trust, Seville Gordon, Talbex Group, Telecomputing

FUTURE DATES

Interims–	
Lowndes Petroleum	Jan 25
Raglan Prop Tst	Jan 28
Seville Gordon	Jan 25
Finals–	
Racal	Mar 1
Updown Inv Co	Feb 24

David Lascelles on the ambitions of Singer & Friedlander

Thoughts of diversification

Tony Solomons: looking for a business with the same management philosophy.

THIS COULD hardly be described as the ideal time for a small merchant bank to launch itself on the stormy seas of the public markets. The oceans are full of predators, and the swell from the October market crash has not abated.

But Singer & Friedlander, the City accepting house, has braved the elements to re-establish its independence after 16 years with no fewer than three different owners. Last year it was sold by the Britannia Arrow investment management group, and, by means of a of reverse takeover of the Gilbert House property company, obtained a listing in London as a free standing entity in September.

At the time, Singer forecast profits of £12m for calendar year 1987, in line with the previous year's. Three weeks ago, Mr Tony Solomons, the chairman wrote to his new shareholders to tell them that "in spite of events in stock markets" the directors saw no reason to vary the forecast, a vindication, he maintains, of the decision to go it alone.

Singer's recent history is a good example of the resilience of a "people business". The group's senior management under Mr Solomons has changed little in over a decade, and it has preserved its independent spirit. Mr Solomons always made it clear to his successive owners-C.T. Bowring, Euroferries and Britannia-that he viewed them as shareholders and not controllers. The unspoken threat that the Singer management would leave if they were unhappy was a potent one.

But Singer thrived during its year's in ownership. Profits, which slumped to £½m during the 1974 market crash and forced a major strategic re-appraisal, were £11.9m in 1986 without the help of any major capital injection. Over that time, staff fell from 400 to 240,

But on its own, Singer will have to show its mettle. Although it is usually described as a "small merchant bank", Singer has moved up the ranks. It now has total net tangible assets of about £175m, which qualifies it for the epithet "medium sized". And it is in two businesses, banking and property, both of which it intends to grow in a conservative but steady way.

The banking side consists of lending, corporate finance and fund management, tha classic merchant banking markets. But it has developed some specialisations. One of them is the Spanish stock market where it claims to be the leading institutional adviser among UK banks.

Another is Third World debt where it has emerged as one of the principal dealers in the secondary market: last year it traded over $1bn of loans. It is a business which requires considerable expertise: you have to know who has loans to buy and sell, and how to price them in a highly uncertain market whose underlying tendency is ever downwards.

Mr Solomons does not expect the banking side to change much. "All our markets have growth in them," he says. "So there is nothing forcing us to go out and buy." He may, however, diversify into insurance broking, and there is a tentative deal in the air now which he declines to identify. Eventually Singer will use its paper to buy other new businesses. The choice will be determined as much by the character of a target company's management as by its activity. "We're a very close-knit team, and we want to buy a business which has the same management philosophy," says Mr Solomons.

There could be some advantage to Singer from being an independent house in the post-Big Bang era when the large conglomerates have an inherent conflict of interest between broking and jobbing in the investment market. Mr Solomons maintains that this has already produced a flow of new business. The corporate finance department has added ten clients to its existing 80, and the fund management side is taking in 10-20 new accounts a month.

Going for "niche businesses" and offering high quality personal service is the aim. "It's very obvious that we can't compete with the big boys", says Mr Solomons. Singer has six branches in the UK.

The second leg of the Singer group-property-consists of Singer's own portfolio worth over £50m, (including its City headquarters in New Street) and those of Gilbert House which are worth about the same. The bulk are commercial and industrial properties in the south of the UK. Mr Nigel Wray, who built up Gilbert House, is a former Singer executive, and now plays an entrepreneurial role for the company

The market crash, coming only weeks after the listing, was an unpleasant shock. Although Singer managed to save its profits forecast, it was a highly conservative one, and the confirmed figure disguises some market losses. Mr David Poutney, banking analyst at BZW, puts them at between £1.5m and £2m, due mainly to Singer's participation in the BP issue and other share flotations

The crash brought Singer's shares down from a high of 118p to 48p, prompting the board to initiate a share buy-back scheme which is due for approval shortly. This would be triggered if the shares ever fell below 50p. Last week they were trading in the 60's, which Mr Solomons describes as a "grey area" because they are too cheap to use for acquisitions, and too expensive to buy in.

Cheapness might also underline Singer's vulnerability to takeover in its new state. But Mr Solomons plays down that danger. Any bidder would have to have the support of Mr Solomons' team, and they are not inclined to be bought up. Also, large blocks of shares are in friendly institutional hands. However Mr Robert Maxwell is a 7 per cent shareholder, and British & Commonwealth, another active dealer in financial shares, has another 9 per cent. Mr Solomons says that relations with them are "fine".

Gulliver faces challenge

BY CLAY HARRIS

Sanda Investments, a private company controlled by Argyll Group chairman Mr James Gulliver, could receive up to 15 per cent of pre-tax profits of Waverley Cameron, if shareholders of the Scottish stationery group approve a proposed management buy-in backed by their board.

The Sanda proposals, published at the weekend, face a legal challenge today in Edinburgh when the Court of Session considers an application for an interim interdict made by Mr Kevin Doyle, whose Flavell Communications controls more than 24 per cent of Waverley Cameron shares.

Mr Doyle believes the proposals to be put to shareholders on February 17 should be in the form of special resolutions, requiring a 75 per cent majority. By contrast, seven of the 16 resolutions proposed by the Waverley Cameron board would require only a simple majority to take effect.

The proposed three-year management contract envisages the annual payment of £25,000 for Mr Gulliver's services as well as a £200,000 "basic management fee" for which Sanda would provide "the services normally expected from a group chief executive, finance director, personnel director, sales and marketing director and a corporate and business development director."

The additional performance-linked fee of up to 15 per cent of pre-tax profits would be triggered if targets tied to real growth in earnings per share were met.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Lonrho	Jan 29	Final 10	Royal Ins	Feb 26	Final 15.5
Racal Elec	Jan 26	Interim .7885	Lloyds Bk	Feb 27	Final 12
Barclays	Feb 28	Final 21	Sedgwick	Feb 27	Final 12
ICI	Feb 26	Final 36			

FINANCIAL TIMES STOCK INDICES

	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Jan. 18	Jan. 15	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.69	88.59	88.35	88.19	88.45	87.96	93.32	83.73	127.4	49.18
Fixed Interest	94.70	94.73	94.51	94.44	94.42	94.55	99.12	90.23	105.4	50.53
Ordinary	1421.0	1404.0	1409.2	1423.0	1440.1	1436.7	1926.2	1232.0	1926.2	49.4
Gold Mines	279.9	279.9	281.3	284.1	283.3	294.5	497.5	261.6	734.7	43.5
FT-Act All Share	905.54	894.15	896.87	902.50	912.60	909.36	1238.57	784.81	1238.57	61.92
FT-SE 100	1770.9	1747.2	1752.8	1768.0	1790.0	1787.7	2443.4	1565.2	2443.4	986.9

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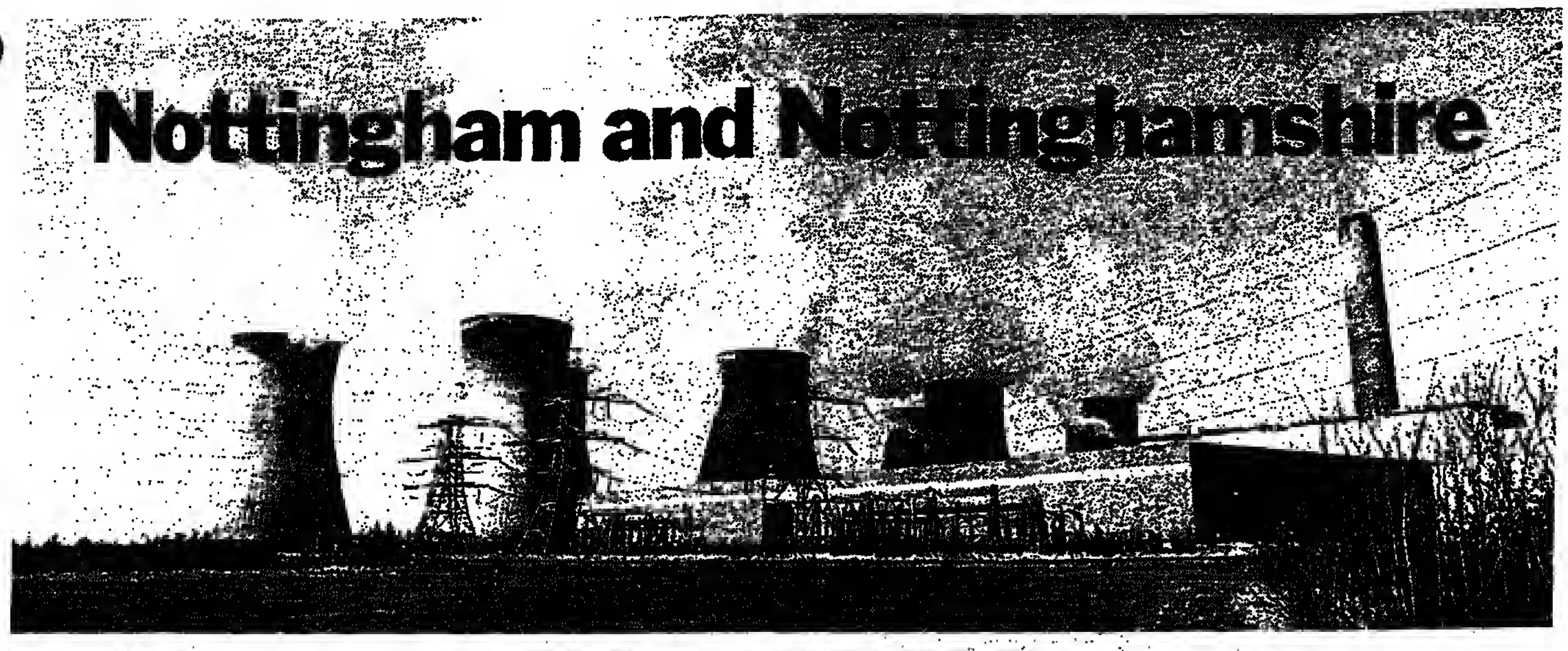
FINANCIAL TIMES
SURVEY

Nottingham and Nottinghamshire



Nottingham's diversified industrial base has stood it in good stead, despite pockets of severe unemployment. But now, says Richard Tomkins, Midlands Correspondent, structural changes mean the area must raise its profile to attract inward investment.

In search of an image

"LET ME know if you find any life out there," remarked an acquaintance as this correspondent set out for Nottingham.

It was a cruel remark – the more so coming not from one of those Londoners for whom anywhere north of Neasden is quite beyond the pale, but from a Brummie.

Yet it accurately sums up the attitude of so much of Britain's population to this little known and poorly understood part of the country.

Asked what Nottinghamshire is famous for, most people would probably think of the legend of Robin Hood, the almost equally legendary Brian Clough (manager of Nottingham Forest FC), and the rebel miners of the 1984-85 pit strike. A few might go so far as to recall that the county is home to the headquarters of Boots, John Player and Son, and a significant chunk of the UK textiles industry: but then they would surely grind to a halt.

The problem which confronts Nottinghamshire today is not that it is poorly perceived. It is that it is not perceived at all.

For this, its inhabitants must shoulder much of the blame. The county is not wanting in attractions, assets or resources. The people are hospitable and hardworking. But Nottinghamshire folk themselves are the first to acknowledge that they suffer from a feeling of self-sufficiency which translates at its best into strong-willed independence and at its worst into narrow-minded complacency.

All this might count for very little were it not for the fact that the difficulties faced by Nottinghamshire today mean splendid isolation is no longer enough to secure a place for the county in Britain's league of upwardly-mobile regions.

In the past, Nottinghamshire has been well served by a diversified industrial base which has helped protect it from the sort of sectoral decline suffered by its metal-bashing neighbours in the West Midlands. The major employers are the mining and textiles industries and a clutch of large companies (notably Boots, Players, Raleigh and Plessey), but the economy is also characterised by an unusually high proportion of smaller manufacturing businesses.

One consequence of this diversity is that the level of unemployment has broadly mirrored the national average over the last few years. The figures for November were 11 per cent for the county compared with 10.8 per cent for the UK when calculated on the same basis.

But even supposing Nottinghamshire regarded this position as satisfactory (and it does not), there are at least two points of serious concern about the figures.

One is that they mask pockets of quite appalling unemployment in some of Nottingham's inner city areas. These are partly a consequence of massive job cuts over a long period by Players and Raleigh, both of which are based near the centre of the city.

These pockets of unemployment are on a scale that could rival those of some of Britain's most depressed areas. In Forest ward, for example, the jobless rate is estimated at 34 per cent, in Radford at 36 per cent, and in Lenton at 44 per cent. The estimated figure for the city as a whole (not to be confused with the official figure for the Nottingham travel-to-work area) is 18.4 per cent.

The second point of concern is that the figures say nothing about the structural changes taking place in employment elsewhere in the county, nor about future trends. Here, the role of the mining industry is crucial.

Nottingham's pits are the jewel in the Coal Board's crown – among the most modern, productive and profitable in the country. But this appears to have benefited Nottinghamshire little in terms of employment.

Increased productivity has gone hand in hand with fewer jobs, and when vacancies do occur, they are often filled by miners from other regions made redundant by the closure of less profitable pits.

Moreover, the exhaustion of coal reserves in western Nottinghamshire will eventually lead to the closure of some collieries. Others may open, but all the signs point to a gradual erosion of traditional job opportunities for the county's young men.

It is true that the other big sectoral employer in the region, the textiles industry, has recently undergone a renaissance. But a notable characteristic of this industry is that it tends to employ the nimble-fingered skills of a largely female workforce. The same is true of several other growth areas in the county – notably, the electronics industry.

Nottinghamshire is therefore confronted with the difficulty not only of tackling the unemployment problems it already has, but in pre-empting a worsening of the position (especially in male employment) in the years to come.

Hitherto, the county has enjoyed relative economic health more by luck than judgment. Its diversity of industry is more an accident of history than the result of a carefully thought-out plan.

But that now seems to be changing. There is a widespread feeling in the area that the time for complacency is over, an awareness that the problems are not going to solve themselves, and a determination to turn Nottinghamshire into one of Britain's more progressive counties.

This feeling pervades not just the county council and the city council, both of

Continued on page 5

Industry and commerce: Above - the Ratcliffe on Soar power station; left - Exchange Walk, in Nottingham's shopping centre

CONTENTS

Manufacturing

Ideal place for high tech, says Clarke

BOOTS HAS been the sole Nottingham-based manufacturing company with a national name to ride the 1980s recession relatively unscathed.

With 10,800 full-time employees in the city (one-sixth of the company's UK workforce) Boots is far and away the major private sector employer. It is also enviably successful. Half-year results to end-September 1987 showed group profits up 23 per cent at £120m. As flagships go, Boots will do.

The company has shared in Britain's retail boom via more than 1,000 high street sites around the country. Its regional base is seen as a distinct advantage in the battle for purses and minds; indeed, Boots is unusual in choosing not to operate *major* stores on Oxford Street (though it is to be found there).

Boots has shown itself adept at anticipating market trends, and at evolving a contemporary image, without jeopardising the solid reliability essential for its health care products. A revamp of Boots The Chemists on the theme of health and beauty, the swift arrival on the scene of Boots Opticians (the second largest national chain) and the launch of Children's World out-of-town stores all speak of confidence.

Although there have been some job losses in Nottingham, largely through natural wastage, continuing investment underpins the remaining workforce – which, perhaps surprisingly, splits six to four in favour of men. Boots manufactures 12 per cent of its £2.35bn turnover in its own factories, and the pharmaceuticals side remains Nottingham-based. The company's industrial division has proved particularly profitable.

Boots' involvement in world markets accounts for about one fifth of turnover; the Nottingham area's other major private sector employer, Plessey at Beeston, faces international competition both in the UK and abroad. That, says Mr Ian McLean, managing director of Plessey Business Systems, is why his company is again deep in merger discussions with GEC's telecommunications division.

It will be the end of February before the two companies know whether the marriage fits. Mr McLean believes that the £1.2bn concern will have the resources to compete more effectively. "The next generation of business systems could cost 10 times that of the present generation to develop," he says.

Plessey and GEC's existing joint venture, System X, does not involve Beeston, where the core business is ISDX digital switching systems. Plessey profited from liberalisation of the UK market to corner over 50 per cent of the "churn" in in-house exchanges. Last March the millionth ISDX line was fitted at the Prudential Assurance's High Holborn headquarters in London, bringing sales to £250m in four years.

Domestic experience proves valuable in emerging European markets. Plessey also claims 10 per cent of Australian business systems, and has established a bridgehead in China. Last month the company installed a £500,000 telecommunications network linking 16 centres of China Railways.

Employment levels at Beeston, where the design, development and production of ISDX is carried out, have stabilised around 4,000, a large drop from pre-electronic days. However, Mr McLean says that prospects are good so long as Plessey stays in the forefront of R&D. "We have no problem attracting the right calibre of computer engineer to work here," he adds.

The Nottingham area has growing computer software companies like CSM Systems, but little in the way of a high tech infrastructure. One of the reasons for establishing Plessey Business Park in surplus buildings within the Plessey site is to encourage new information technology companies – though tenants are not, of course, guaranteed contracts.

Several of the 23 units have already been let at about £6 per sq ft all in, without any serious marketing. The business park is a joint venture with the local authorities, who stood refurbishment costs of £500,000 for the 45,000 sq ft first phase expected to create about 150 new jobs.

Last month Mr Kenneth Clarke, the Industry Minister and local MP, opened phase two of Highfield Science Park, a joint venture between the city council and the University of Nottingham. The Heathcoat Building, also offering high tech starter units, attracted a £600,000 grant under the Government's inner areas programme.

Mr Clarke said at the opening: "Nottingham is an ideal place to set up a university spin-off company or indeed any high tech company, with the advantages of low rentals, pleasant environment, proximity to the university with all its facilities, and a good supply of workers."

Two examples of established companies with university origins are PAFEC, which was started on 1976 by a Nottingham research group and now employs 300 developing computer software for industry, and TecQuipment International, Sir Joseph Pope's engineering training equipment firm. TecQuipment's advanced robotics and computer-aided learning programmes are exported to 70 countries.

The major employer at Newark, RHP Bearings, was last month sold to a management team funded by a consortium led by Citicorp and Standard Chartered Bank for a reported £72m. The 1,300 Newark workforce – which produces industrial precision bearings – have been told the future looks good for them.

A recent report by Nottinghamshire County Council's economic strategies team suggests that the county's biggest manufacturing sector – textiles – is at last beginning to hold its own again. But major employers note an urgent need both to improve their own competitiveness and conditions for their employees so that a better-trained and more stable workforce can be built up.

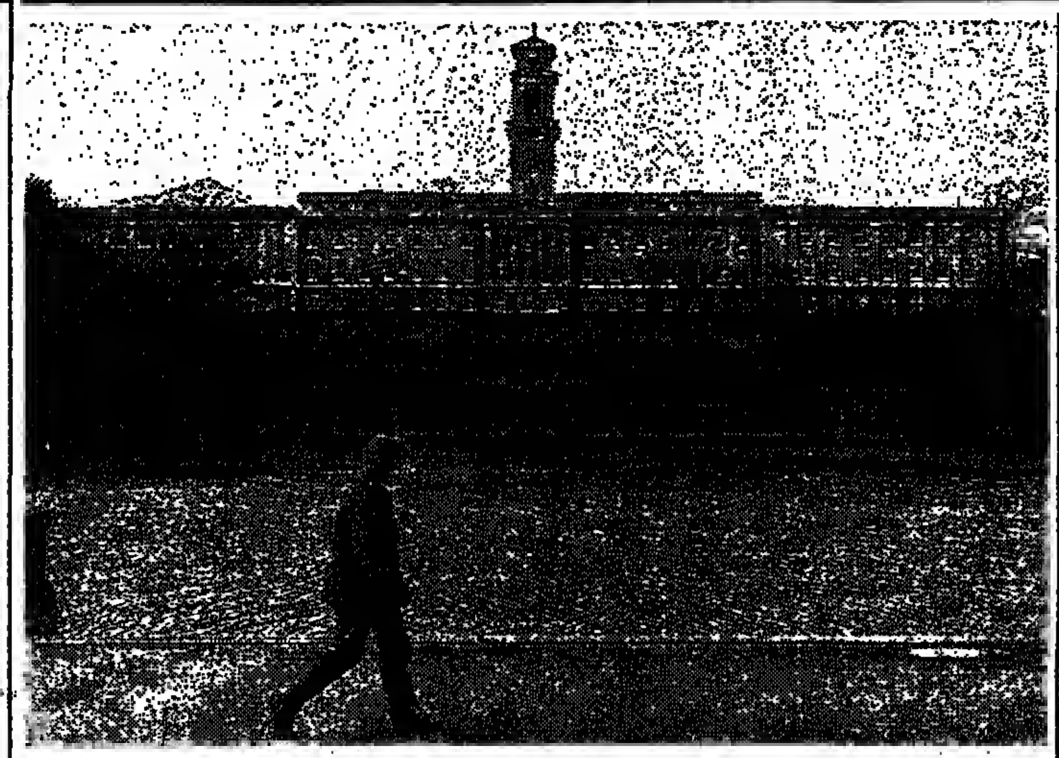
The county council team interviewed 47 companies in the Mansfield and Ashfield area, where clothing, hosiery and knitwear firms are starting to challenge mining as the major source of employment. However, some 80 per cent of the 10,700 jobs in these 47 firms were held by women.

Despite job losses of around 12,000 between 1978 and 1985, production census figures suggest that 32,700 people were employed in the sector throughout the county. Most textiles workers were in hosiery; only 8 per cent (1,600 people) worked in lace – although they numbered half of the entire British lace industry.

Figures show that between 1980 and 1984 Nottinghamshire textiles reflected a national pattern of growing productivity, declining employment, but fairly constant output. The picture was different in clothing and footwear, with Nottinghamshire bucking the national trend of job losses, so that increased output rose in line with productivity.

Robert Waterhouse

The Raleigh factory. The bicycle company was recently acquired from TI Group by Derby International, advised by Arthur Andersen, now in its fifth year in Nottingham



A view of the university from the river

Development

Outskirts wake up

IF THERE was any doubt about it, developments of recent years have reinforced Nottingham's place as the regional capital of the East Midlands at the expense of Leicester. That, anyway, is the view of Nottingham City Council, a view which tends to be backed by the local professional community. But as regional centres go, Nottingham has limitations as well as strengths, compared with Leeds or Bristol, which reflect the nature of East Midlands life.

During the shake-out of industry in the early 1980s Nottingham lost manufacturing jobs and sat on a static office market. But its city centre shops more than held their own in national league tables. A ranking published by Hillier Parker Research shows Nottingham placed sixth in 1984 compared with 12th in 1971; during the same period Leicester slipped from 14th to 17th place in national terms.

Nottingham's retail success, achieved without a over-supply of up-market stores, is ascribed to the popularity of the Victoria and Broad Marsh centres, linked by characterful pedestrianised streets. It has also been sustained by a strict planning policy to discourage out-of-town retail development on any scale, a policy which is coming under increasing pressure as the city gets more congested and potential out-of-town sites line up.

One of the first priorities for Nottingham Development Enterprise will be to attempt to defuse the "hope value" of development sites by naming the likely candidate – and the front-runner is seen as the Wilford Power Station site beside the River Trent. Without compulsory purchase powers, the matter will have to be decided either by mutual consent or by a lengthy series of public inquiries – something NDE, which needs to make an impact fast, would wish to avoid.

Meanwhile, the city council has thrown in a controversial teaser by offering the site of a massive, abandoned Hyson Green housing scheme for an Asda superstore. The event symbolises the new Conservative regime's determination to make property pay for itself. Since January 1 the Department of Property, Economic Development and Tourism has been working to revenue-generating targets.

While major land holders sit on sites the industrial upturn is threatened by a shortage of suitable accommodation. According to Mr Chris Sinclair, Hallam Brackett's commercial specialist, anything half good is snapped up very quickly, particularly units between 4-6,000 sq ft. New factory units are fetching rentals of £3 per sq ft, but there still appears to be a reluctance by developers to commit themselves.

One of the effects of the dual-carriageway inner ring roads built in the 1980s was to define Nottingham city centre. Now, the centre is pushing out again with office activity in Park Row and Castle Boulevard. Helped by industrial improvement grants and the revival of textiles, the Lace Market area is also waking up.

But there is a shortage of quality office accommodation. After years of oversupply and empty floors, with rents stuck at around £4 per sq ft, values of £7 or even £8 are suddenly achievable. Everyone predicts a construction boom – and sees it as a major employment source, given the right training opportunities. Persistent rumours suggest that at least one international finance company is looking at Nottingham with relocation in mind.

The companies have been attracted by the area's relatively low unit costs, the ready availability of skilled female labour, and the fact that the city is such a pleasant place both to live and work. It has, in The Park, that rare asset for an English city – an outstanding residential area in easy walking distance of the centre.

Some observers say that is almost *too* pleasant. The limits to growth of the business and financial community are set by the nature of the area's industry, with 80 per cent of firms employing under 50 people for a turnover of under £5m. Such companies do not require high-flown management consultancy. Or if they do, it can be shipped in from Birmingham along with merchant bankers.

Mr Terry Bradley, regional director of Barclays Bank, controls an area which spans from Market Harborough to Barnsley, from Ashbourne to Skegness. He sees his region very much as Middle England, with virtues of solidity and thrift. For instance, very few of his commercial clients ever go into receivership.

His Nottingham head office offers international services, has its own dealer room, and lends on management buy-outs. The bank supports 11 enterprise agencies around the region.

Mr Fred Marks, senior partner in the Nottingham branch of Peat Marwick McLintock, believes that the city should forget any idea of becoming a full-blown financial centre to rival Leeds or Birmingham, the better to concentrate on providing back-up for its two strengths – retail and manufacturing. In a limited scene, he feels, accountants' core business remains auditing.

Mr Victor Semmens, partner in the long-established Nottingham law practice of Wells & Hind, suggests more optimistically that the city will change gear as its business interests become more international. He sees high levels of activity among the growing firms, particularly those with eyes on Europe. He cites the building of the £12m Royal Hotel complex, a local initiative funded by local banks, as proof that entrepreneurship is alive and well.

Robert Waterhouse

Grants

A little goes a long way

BIRMINGHAM APART, Nottingham has been the most successful local authority in the country at promoting urban development grants (UDGs) to encourage private sector involvement in schemes which would otherwise have been marginal.

Altogether, some 15 schemes, completed or underway, have brought new office space, housing and industrial units to the city. The discretionary grants, between 15 and 30 per cent of total costs, have encouraged over £35m of investment, mostly to inner areas.

Nottingham's first UDG was awarded to the ice stadium, owned by the city council, and since made famous by Torvill and Dean. The rink was in a dilapidated state which threatened closure before £131,000 of grant aid allowed the council to re-roof the building and instal a new floor.

Until recently, low rental values have discouraged developers from starting new-build office schemes in the city centre. However, the availability of UDGs for office conversions, or for building on difficult sites, means that useful additions to the office stock are coming on the market.

These include the former head post office building in Queen Street, an important conservation landmark, which has been redeveloped behind its facade by Norfolk Place Properties as 30,000 sq ft of offices together with shops. The £3.19m scheme qualified for a grant of £750,000.

Perhaps even more significant as a conservation exercise was Newcastle House on Castle Boulevard. This example of 1930s glass and concrete had been derelict for some years. Bendigo Properties was offered £735,000 in UDG as the lever for authentic refurbishment costing £4.4m. The 65,000 sq ft of offices, nearing completion, has been pre-let to Bass for a quoted price of £6.50 per sq ft which includes 180 car spaces. The building is to become the headquarters of Bass Leisure, which hopes to move in later this year.

Bass has also taken space in modern offices built on the site of the former Central Market by St Modwen Properties, which qualified for a £464,000 grant. St Modwen is the developer of a second market site, surplus land in the Cattle Market, where £430,000 UDG will help provide some 44,500 sq ft of industrial units.

The biggest office development primed by UDG is about to take place along Mansfield Road, where Wimpey has qualified for a £1.09m grant to build 80,000 sq ft of offices for sale in a scheme which incorporates a refurbished terrace.

Costain was the builder in the highest-profile housing scheme, a conversion of warehousing into flats along with mews-type houses beside the River Trent at Turneys Quay, near Trent Bridge. This £4.39m project qualified for a grant of £487,000. The scheme, which has won design awards, was seen as giving a boost to one of Nottingham's major thoroughfares.

Normally, the level of UDG grant-aid is related to the number of permanent jobs likely to be created by the completed scheme. Clearly, new housing does not bring jobs – but it has qualified because of the contribution made to difficult inner-city or infill sites.

However, as Nottingham's housing market continues to pick up, developers are less likely to find UDGs available for housing schemes.

Robert Waterhouse

Fred Riddell, Nottinghamshire's education chief

Education

'The Baker paradox'

HIS SMILE is angelic, his voice almost sleepy. Those who know him would not deny or underestimate the charm; it is part of a formidable armoury which Fred Riddell brings to his dual chairmanship of the Nottinghamshire County Council education committee and that of the Association of County Councils.

Mr Riddell controls England's highest spending shire county education service, a system much-praised by Government inspectors and valued by Nottinghamshire ratepayers, asked to make above-average contributions to a £236m annual budget.

Although demonstrably cost-effective, Nottinghamshire's secondary school system, based around 11-18 comprehensives, has been hit by falling school rolls. Sparsity of pupils, especially sixth-formers, led the council's education department into preparing plans for a tertiary-style reorganisation. But last autumn the scheme was abruptly dropped by the traditionally moderate ruling Labour group, who feared that any transitional period embarked on at this stage would encourage schools to opt out of the present system under Mr Kenneth Baker's Education Bill provisions.

It proved a loss of face for Mr Riddell, who was in the chair again earlier this month when Mr Baker addressed the North of England Education Conference in Nottingham. Equally, the decision to do nothing has hardly helped the county's immediate problems of low staying-on rates and under-achieving, due to small sixth forms not always able to offer a satisfactory spread of subjects.

A sixth form college system already operates within Nottingham itself, but here the education authority's role is set to receive a full-blooded challenge when one of the Government's first city technical colleges opens its doors in September 1989. The college found £1m local sponsorship from Mr Harry Djanogly. It will offer 1,000 places at a total investment of £9m.

So why, when other education authorities of all political shades moved over to the tertiary system a decade and more ago, did Nottinghamshire hang on to 11-18 comprehensives?

"We have already rationalised our schools. We've encouraged co-operative sixth forms in some areas. We offer Further Education colleges as an alternative both in the city and in rural areas," Mr Riddell says.

"The main reason my group dropped its reorganisation proposals is that any kind of strategic overall planning has become impractical in the current political climate." For example, the decision by one or two schools in a rural area like East Notts to opt out of the present system would create enormous gaps in provision.

"This is the Baker paradox. Unwittingly, perhaps, the Secretary of State who is exhorting local education authorities to be flexible has introduced an enormous rigidity into the system."

But aren't some schools likely to seek to opt out anyway if the proposals become law? "I will be surprised if some don't, especially if Mr Baker proceeds with financial inducements which are nothing short of bribery. But I'm not anticipating a wholesale withdrawal. I have been told by chairmen of the governors of some of our most prestigious voluntary-aided schools that they are firmly against opting out."

Surely parents of successful schools must be a powerful ally in such circumstances? "Parents are an unknown factor. They normally raise their voices only if things are going wrong. Just 8 per cent of parents overall attended the special meetings we now hold under the 1986 Education Act. We take that as a vote of confidence, supplementing HMI endorsement of eight critical performance areas over the past five years."

Mr Riddell believes that Mr Baker's enthusiasm for parent power is a cover for more centralised controls. "We have scrutinised this so-called shift in power and calculated that the Secretary of State is taking over 170 new powers himself. A national education authority based in Whitehall will control everything from the school curriculum to university funding, with all its members solely appointed by the Government. I don't believe the true significance of this has dawned on the general public."

Because education spending is by far the biggest item in local authority budgets, is the Education Bill central to the Government's well-publicised aim of reforming local government during this Parliament?

"No. I don't think the impetus is finance-led. It's much more ideological and brutal than that. It arises from Mrs Thatcher's wish to reduce local authority powers. We consider that the driver behind the Education Bill is Mrs Thatcher herself. Mr Baker has been forced to increase his enthusiasm for opting out under pressure from his leader.

"There's no doubt that Mrs Thatcher sees Mr Baker as her main adversary in her ambition to remain Prime Minister. She has sought to isolate him in the Cabinet, so in order to counteract this, the Secretary of State has gone along with education views much more extreme than his own preferences. It's significant, too, that the Prime Minister chose to chair the Conservative parliamentary committee looking after the Education Bill."

During his address to the Nottingham education conference early in January, Mr Baker gave a defence of the Bill largely aimed at a House of Lords audience. Mr Riddell himself holds out hopes of a peers' revolt, and it is with this aim that the Association of County Councils will be making representations.

What, then, is the ACC's best hope? "Modification of the opting out proposal, at the very least to make it conform to normal democratic standards. As things stand in the Bill, the decision for a school to opt out will be made by a simple majority of parents voting in favour, including those with children in fifth forms. We would like that to be changed to parents of children who will be directly affected by the changes, including those with youngsters at the top end of feeder schools.

"There are some good aspects of the Bill, which merit modified support. But the great part of it is inimical to the maintenance of a high-quality education service responsive to the needs of children and parents.

"Here in Nottinghamshire we devolve administration to eight area education officers, who are well-attuned to local demands. We want to be flexible and to have the capacity to change. I have been an educationalist for 30 years, but I don't particularly care who runs the service so long as they provide quality. That is precisely what we won't get from the Conservatives."

Doesn't Mr Baker argue that his Bill will raise educational standards? "Of course. All the great decisions about education are value judgments which follow from a political philosophy. As Socialists we attach particular importance to education as an enabler."

Nottinghamshire people speak in moderate terms, relatively free from the stress of big city authorities, yet their message on education seems very similar. "We don't believe you need be stridently offensive to be committed to a philosophy.

"Local government is essential for a correct ordering of society and for the future of democracy. There are real dangers in the centralisation of power occurring under this Government. This isn't just an educational argument; it's one that springs from great concern at what is happening to the democratic process."

Robert Waterhouse

The city's economic base

Three sites ripe for change

NOTTINGHAM IS preparing a major initiative to raise perceptions about the city, redevelop several key sites and tackle ingrained social problems at the same time. The programme, poised to move from consultants' report to action, is seen as an alternative to direct government involvement in an urban development corporation.

Private sector investment will finance the initiative, but success is dependent on full co-operation from the Conservative-controlled city council and the Labour-led county council. It also needs to be notched up as a success for Mr Kenneth Clarke, the Industry Minister with responsibility for inner cities, who has been party to discussions because he has a home in the city and is a local MP.

Nottingham Development Enterprise is chaired by Mr David White, deputy chairman of the National Freight Corporation, whose instincts are strongly entrepreneurial. His challenge is to spark action on a budget of £200,000, minuscule in comparison with UDCs.

As an inner area programme city, Nottingham has shown itself adept at raising government grants. However, the schemes envisaged by NDE are far more ambitious. They involve three sites: the former Wilford Power Station, owned by the CEGB; the former Basford Gasworks, owned by British Gas; and the Lace Market, a part of the city centre in multiple ownership.

The Lace Market can be seen as Nottingham's equivalent to Covent Garden. Its Victorian warehouses on a medieval street pattern already attract imaginative uses. Demolition would be unthinkable, but clever refurbishment could offer major office development opportunities along with widening the city's tourist appeal.

The Basford site in the city's inner northern suburbs might be developed as a business park to meet the urgent demand for new industrial units, lack of which is stifling Nottingham's commercial revival. It would provide jobs close to areas of high unemployment.

Wilford Power Station is thought to be the favourite site for an out-of-town shopping complex which could complement Nottingham's pull as the regional retail shopping centre. However, everyone holding substantial vacant sites around the city, including British Coal and British Rail, has hopes of retail development. The issue needs speedy resolution, and one of NDE's first acts will be to commission a survey of retail potential.

Up to now the city council has opposed out-of-town shopping because of its possible impact on city centre shops. But the city is in danger of choking on its own success. There is a growing feeling that one site will have to give.

Mr Paddy Tipping, chairman of the economic development committee and NDE member, makes no secret of his preference for Wilford Power Station, which he says could be linked to the city centre by a light railway.

"Developers have a choice," says Mr Tipping. "They can come along with our thinking as planning authorities, or we can be very obstructive." The implication is that a series of public inquiries against refusal of planning permission would help nobody.

The NDE report, prepared by Peat Marwick McLintock's Nottingham office, is believed to have identified a list of the city's strengths and weaknesses. Strengths include its regional dominance and good external communications, its diverse economy and good labour force, its educational establishments, its heritage and quality of life. The weaknesses centre on shortage of office and industrial space, lack of investment in growth sectors like financial services and tourism, poor commuter access, serious inner city deprivation and lack of image.

Warts and all, the picture may prove difficult for Nottinghamians to accept. However, external perceptions are set to change as early as this summer, when NDE's logo and image initiatives are launched. Central to these is the concept of Nottingham as a European-class regional capital.

In terms of improving the city's economic base, NDE is expected to encourage liaison between firms, to identify training needs and to pave the way for serious inward investment. Such investment has proved difficult because Nottingham lacks assisted area status. However, the county council's economic development department has had some success with US companies.

It is accepted that a thriving and forward-looking low-tech economy is more likely to bring people off the unemployment register than attempts to join the high-tech bandwagon.

Mr White, the chairman, sees NDE's role in the macro context, defining and guiding a vision of Nottingham into the 21st century. His smallish team – a chief executive is due to be appointed this summer – will be supported by secondees from the local authorities and the major companies.

First indications are that although NDE has the full support of the Nottinghamshire Chamber of Commerce, individual companies may be less enthusiastic. The private sector is to be asked to contribute most of the annual budget.

However, local authority commitment is strong. The implied alternative, a UDC, tends to concentrate minds on getting things done. "We don't need measures imposed on us," says Mr Paddy Tipping. "I know Kenneth Clarke well; we agree 90 per cent of the time. It's important that we have a local MP who is also a Cabinet Minister. Jobs are at the top of our list. We have put the partnership idea to the fore and the Conservatives have gone along with it."

The gamble that Mr Tipping and Mr White appear to be taking is that the developers will play ball. Otherwise, an urban development corporation's more formal powers and ready cash might indeed become a tempting option.

Robert Waterhouse

Mr Kenneth Clarke, Industry Minister and Nottingham MP

Coalfields

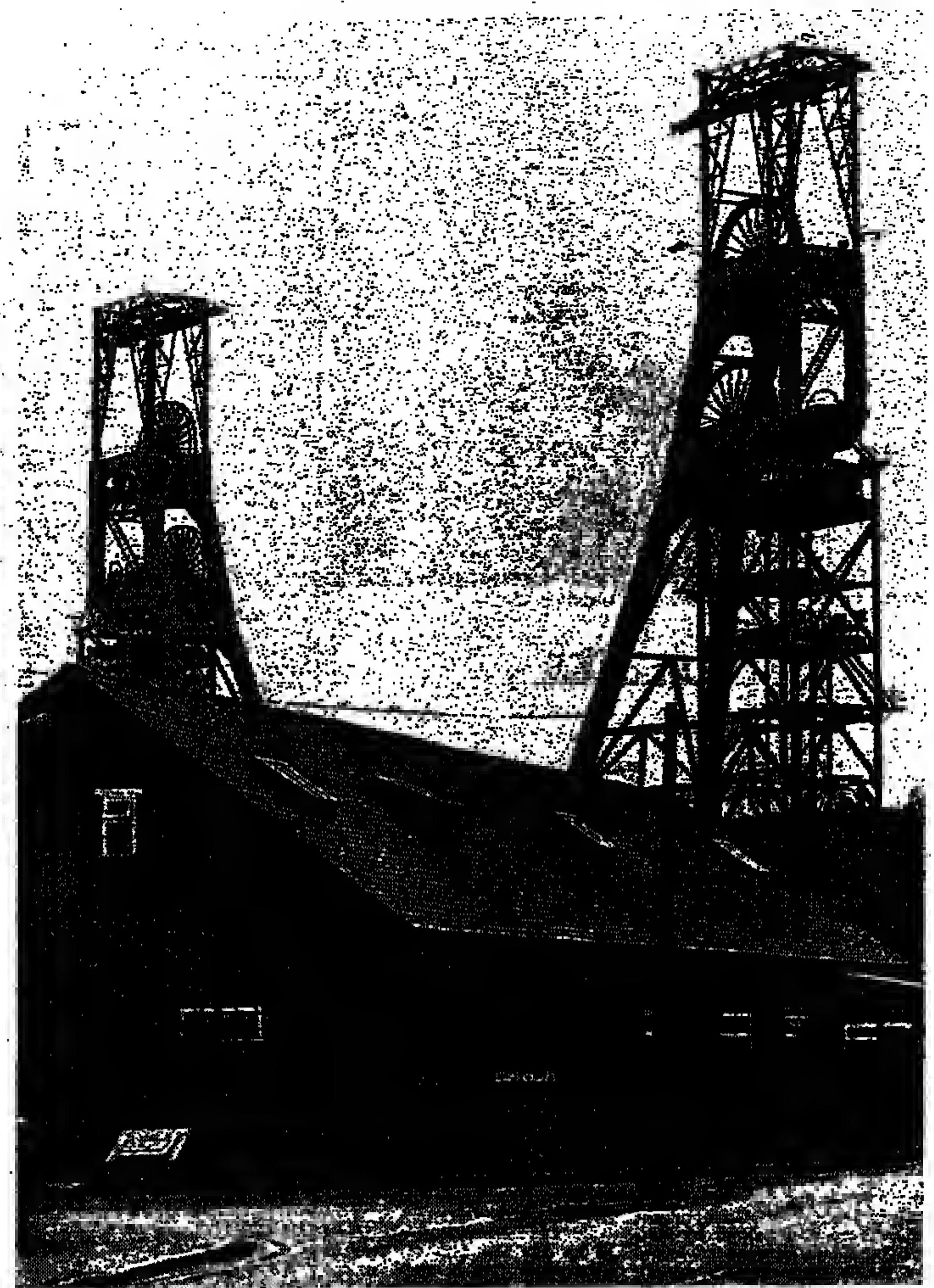
The pits need the power stations

FOR 125 years Hucknall Colliery stood at the centre of the town's employment and activity. In 1986, with 992 miners producing 400,000 tonnes annually from the blackshale seam, face-workers suddenly hit a "white-out." The seam had been obliterated by a former riverbed. Hucknall closed almost overnight.

Such geological upturns are rare but not unexpected in the Nottinghamshire coalfield, one of the most productive in Britain. The Nottinghamshire area – organised by the breakaway Union of Democratic Miners – has a reputation for rich, easy pickings. Not so, says Mr Roy Lynk, the UDM's president, whose judgment is backed by Mr Albert Wheeler, British Coal's area director. Nottinghamshire is profitable, certainly, but almost half the seams are narrow by modern standards.

Competitive extraction demands the latest technology in the hands of an incentivised workforce. Nottinghamshire is one of the areas pressing ahead with retreat mining, the relatively new process of driving roads in seams to block out the coal, then cutting on the way back. Nationally, retreat mining has shown 30 per cent better productivity than mining advance faces.

Many of the older pits in the west of the county have closed or merged since the 1950s as seams peter out or are declared unprofitable. Newstead Colliery disappeared last year and the latest victim is Linby, just north of Hucknall, due to finish production on March 26.



Mr Roy Lynk, president of the Union of Democratic Miners, which represents most Nottinghamshire miners. His union is lobbying the Government for an assurance that new power companies, set up if electricity is privatised, will have to buy up to 80 per cent of fuel locally. Right: Clipstone Colliery at Mansfield.

Linby is closing by consent, without recourse to the Appeal Procedure, because 76 per cent of UDM members accepted British Coal's assessment. Over half of Linby's 790 miners have opted to stay in the industry. However, the Linby closure will bring the number of Nottinghamshire miners below 20,000.

Mr Paddy Tipping, the county's industrial development chairman, says he was criticised in the early 1980s for predicting that mining employment, then standing at more than 30,000, would drop to 20,000 by 1990. Now he voices worries about all the remaining older pits, including some of the traditional "big-hitters," those producing more than 1m tonnes of coal annually.

His reasoning is based on the Government's declared aim to privatise the electricity industry and the probability that private sector suppliers will buy on the world market, where the current price of around $30 per tonne is below pit-head costs of much British coal. It is a view which both British Coal's Albert Wheeler and the UDM's Roy Lynk challenge.

Mr Wheeler points to the £100m annual capital investment by British Coal in the Nottinghamshire area, its increasing productivity (up to 3.92 tonnes per man shift in 1987) and, he believes, an attainable target of 5 tonnes per man shift by 1990. Two of the *thin-seam* pits in the south of the area, Calverton and Gedling, produce good quality coal using new technology.

Moreover, the area's handiness for the Trent Valley power stations, and its reliable industrial relations record, should continue to make it attractive to power supply companies.

Contracts were recently signed for the new West Burton B power station, which will take coal from the huge Harworth pit near Bawtry. Mr Lynk accepts the likelihood of another pit closure next year at Sutton, but claims this will create political pressure for British Coal to develop Witham, in the east of the county where prospects of 180mt of top hard similar to Selby and Barnsley have been identified.

Production here and at Asfordby, the Vale of Belvoir superpit, now officially part of the Nottinghamshire area, will supply huge volumes at competitive prices, underpinning the other pits. Mr Lynk also suggests that coal has been priced artificially low on international markets. His union is lobbying the Government for an assurance that the new power companies will be made to buy up to 80 per cent of coal locally.

Asfordby, due to start production in 1991, has a target of 3.8mt a year with jobs for 1,800 miners. British Coal's interest in ensuring that the pit goes to Nottinghamshire lies in its stated aim of "flexible" working there. In practice this entails miners agreeing to six-day working weeks, with every fourth week off. The UDM, Nottinghamshire's only recognised union, has indicated its willingness to negotiate along these lines.

However, it would not be fair to say that the UDM is a push-over when it comes to negotiations. According to Mr Wheeler they are "tough but realistic." British Coal has concluded an incentive scheme with the UDM which differs from others struck with the NUM in that contracts are made between the colliery manager and his workforce on a performance basis. Bonus schemes often account for at least 50 per cent of take-home pay.

"Nobody goes down a pit for fun," says Mr Wheeler. "Nottinghamshire miners are there for the money; they're not dogmatic, they simply want the best earnings in the country. They are skilled and committed, but we have still a long way to go in increasing productivity."

For his part, Mr Lynk has "no sticking point on any subject." He is overtly proud of the achievements of Nottinghamshire miners. "Small in numbers we may be, but we are second in productivity," he says, referring to the area's national ranking after North Yorkshire.

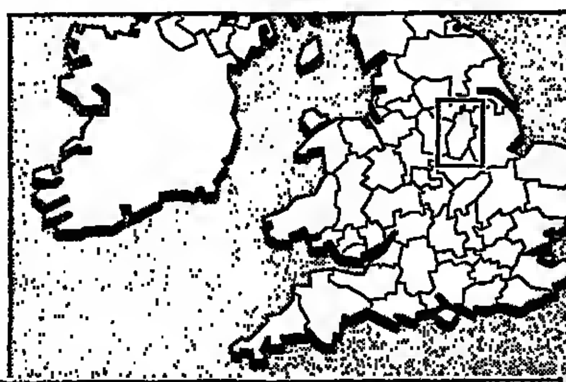
His stated aim as UDM president is to negotiate good wages, secure jobs and play his part in building the future. That includes, of course, recruiting members to the ranks of the UDM, a process which could be speeded up by the result of the NUM presidential ballot. "Every man in the mining industry is our target."

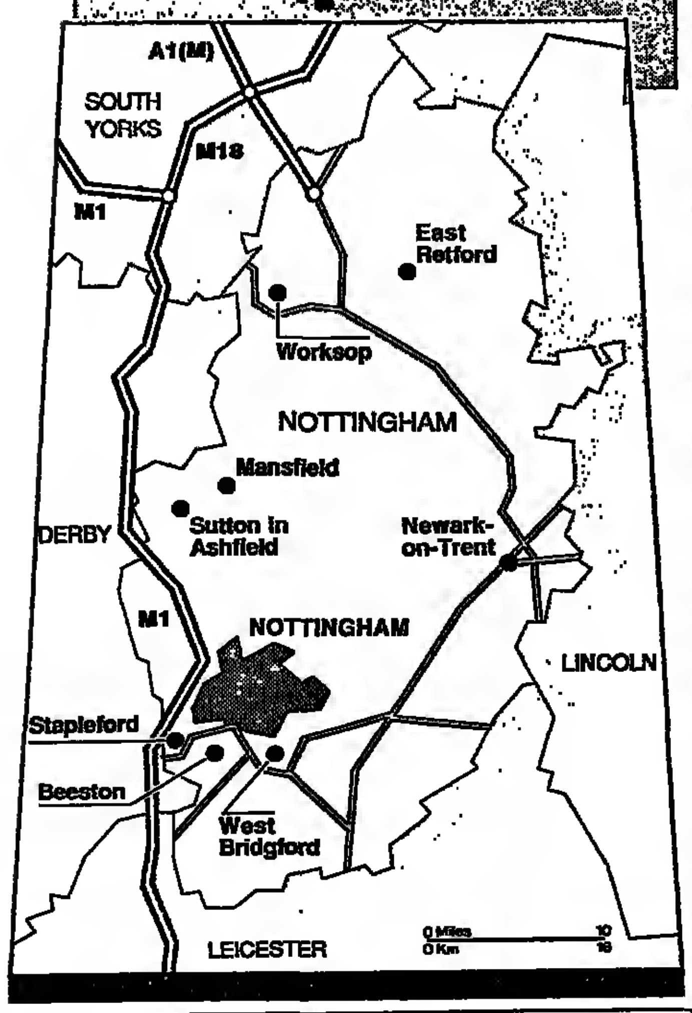
Looking beyond Nottinghamshire, the UDM has already been told by British Coal that it will be the recognised union at the proposed Hawsworth Moor pit in Warwickshire.

Closer home, the UDM is at odds with British Coal over disposal of tied housing. Those tenants who do not want or who are unable to buy are seeing their dwellings sold over their heads to private landlords. Mr Lynk has hopes of his union creating a housing association to offer an alternative.

Mining remains a powerful influence in the Nottinghamshire economy. Its workforce, whose average age is 33 and getting younger as more and more take early retirement terms at 50, is a well-paid, highly mobile group. With most pits carefully landscaped into a rural setting, miners – above surface at least – enjoy better environments than most city dwellers. They have a big stake in the continuing success of their industry.

Robert Waterhouse





East Midlands airport

No way for the long haul

LAST DECEMBER, East Midlands International Airport general purposes committee recommended abandonment of a long-held dream to extend the runway. In effect, the planning permission gained after a public inquiry back in 1980 is to be allowed to lapse. Full load long-haul flights by wide-bodied jets will no longer be an option at Castle Donington.

The decision was forced on the authority by commercial reasons. The £10.5m runway extension, assuming that loan sanction was agreed to build it, would cost each passenger an estimated £2 increase in airport charges. Since the airport's traffic is currently concentrated on short and mid-haul markets, the extension looked like an unwarrantable extravagance in today's climate.

As a public limited company since last April, the airport remains under the control of its parent local authorities. The arrangement gives Derbyshire County Council (the airport lies in Derbyshire) four-ninths of the shares, Nottinghamshire County Council one-third, Nottingham City Council one-ninth and Leicestershire County Council the remaining ninth. It is a formula whose Machiavellian possibilities have not prevented the airport growing quickly and profitably over recent years.

The airport completed, last year, a £3.5m terminal building facelift with the prime aim of staying a favourite holiday departure point. Charter business, which accounts for 80 per cent of passenger traffic, grew by 22 per cent in 1987 when 1,134,566 passengers were carried. Pre-tax profits for 1987-88, the first year of the new company, are expected to exceed £1m.

Mr Ed Anderson, the airport's finance director, believes that 1988 will be a year of passenger consolidation, with East Midlands competing vigorously against other regional airports.

Freight handling at Castle Donington could triple over the next decade and congestion in the South-East should help passenger growth

"Catchment areas overlap," says Mr Anderson. "South Yorkshire, for instance, is very much our area – it provides 12 per cent of total passengers – but Leeds/Bradford would also claim it. Birmingham is only 40 miles away, with road links good and getting better. There's clearly competition for the people in between. Personally I would like to see more scheduled traffic, and more year-round traffic away from the holiday peaks."

East Midlands has been unaffected by the British Airways takeover of British Caledonian, since neither flies from the airport – the base of British Midland Airways. The airline operates daily schedule flights to Heathrow, Belfast, Glasgow, Amsterdam, and to Paris in summer months. Carriers are closer to home. Air Bridge operates from Castle Donington and air freight is crucial to future development.

The airport ranks fourth in flown freight after Heathrow, Gatwick and Manchester. It is using its strategic position and excellent north-south motorway connections to share in the growing market for express parcels and flown mail. Nightly services operated by Elan International, Pandair and Air Bridge Carriers for KLM have made East Midlands a hub for European routes linking the Continent with Scotland and Ireland.

As more and more first class mail is flown, East Midlands has become an important staging and sorting point for the Post Office, which charters up to 18 aircraft a night out of the airport. Mr John Spooner, the cargo and development manager, is confident of signing an agreement with the Post Office under which East Midlands will build separate apron and sorting facilities away from other freight activities.

–To encourage the hub process, East Midlands introduced an innovatory pricing policy last July by which freight carriers are charged only for the weight of goods loaded, or offloaded, at the airport. The airport plans to construct a 13,000 sq ft office block to meet demand from the freight forwarding community. Customs officials are due to introduce a fully computerised clearance system in April 1988.

Mr Spooner claims that freight handling at East Midlands could triple over the next decade, given the airport's huge landside potential and its convenience for trucking. Mr Anderson is equally bullish about passenger growth: "Our future is very good, particularly with Gatwick reaching capacity. Congestion in the South-East will only help us. Our position is excellent, as is our weather record."

Last year the airport's status was improved by the opening of a four-star hotel on site, the Donington Thistle, financed by Nottinghamshire County Council's superannuation fund. Bed occupancy rates have been so satisfactory that a hotel extension is already planned. That is a lot easier, and perhaps more beneficial, than adding tarmac to the runway.

Robert Waterhouse

Tourism

Robin to take on Sheriff in 1990s

"WHAT HAS Robin Hood ever done for Nottingham? The question, posed only slightly tongue-in-cheek, came from a well-known local professional. The answer came just as rhetorically from a tourism specialist. "But what has Nottingham ever done for Robin Hood?"

No place in Britain boasts a more potent legend with fewer clues on the ground as to what really happened. Unhappily for tour operators, the medieval Nottingham Castle was destroyed in 1651 and again in 1831, victim of the city's turbulent history. The present castle opened as a municipal art gallery in 1878. Sherwood Forest, set in delightful countryside, relies heavily on a dwindling number of geriatric oaks. In North American or European terms it hardly ranks as a wood.

None the less, Robin Hood pulls the crowds and is set for a rebirth in the 1990s. Both Nottingham City Council and Nottinghamshire County Council have ambitious tourism plans linked to the area's promotion and economic development. Robin seems likely to be back plaguing the Sheriff in a Viking-type centre near the castle, which could generate up to 1m visitors annually. Out in Sherwood, the ailing Major Oak may be suspended from a plastic dome and surrounded by an all-action village.

The problem, as Mr John Plumb, the county's director of leisure services, freely admits, is how to interpret a legend Hollywood has already bowdlerised without laying on the kitsch. "We share Robin Hood with the city," Mr Plumb says. "We need to work together to develop facilities to tell the story in a meaningful way." The challenge facing the two developers currently vying for Robin Hood is that the new centre, which could open as early as next season, must be ahead of a game already spreading from York to several historic cities.

From the authorities' viewpoint, the beauty of a "Nothood" is that the sheer numbers attracted by it would boost other projects under way or under study. These include the Lace Hall, a private venture telling the story of Nottingham lace in a converted church and the former Shire Hall, whose genuine dungeon cells could make an excellent setting for a Museum of Correction and Punishment. Both are in the Lace Market, an area of great character and potential.

If one is pressed to find a sense of urgency about tourist development in Nottingham, reasons are easier to come by. The city's luxury hotels thrive week in, week out. Room occupancy figures of around 60 per cent, three-quarters of whom are business tourists, compare with around 40 per cent in Leicester. Nottingham's role as the East Midlands capital has been reinforced by the Royal Centre, which doubles as a 2,000-seater conference venue and concert hall next to the restored Theatre Royal. The city has proved attractive to North European tourists, who like its shops, its restaurants and its varied night life.

Out of the city centre, amenities are just as well used. Indeed, Mr John Dylan-Guy, director of the East Midlands Tourist Board, reckons that Nottinghamshire is the one county in his area where applications to build hotels on green-field sites would be favourably considered. He believes the main investment opportunity is for country house hotels, and part of the county's tourist strategy is to tempt Scottish-bound individual tourists off the M1 for a night or two.

Tourist spending in Nottinghamshire was estimated at between £90m and £105m in 1986-87. Almost 20 per cent of this came from overseas, with Germany and Holland the strongest markets. Continental visitors have taken to a drive-yourself package which offers four nights in top hotels plus overnight ferry both ways for £135 per person. On average each holidaymaker spends a further £107 during his stay.

It was partly the existing connections and partly the welcoming attitude of the local authorities which led the Dutch Center Parcs company to build its first British holiday village in Sherwood Forest. The £40m project (it qualified for a record £1.5m grant from the English Tourist Board) opened last spring, and has been fully booked ever since. Its promoters thought they might have to rely on Dutch trade to begin with (there are 10 Center Parcs in Holland) but the British have taken to the concept with enthusiasm.

The 450-acre village site, tucked away in pine woodlands near Rufford, offers holidaymakers elements of carefully-planned choice. Villas – insulated against the elements and neighbours – are taken by the week, the weekend, or the mid-week, year-round. You participate in the facilities as you wish, though the attractions of the £6.5m Subtropical Paradise, computer-maintained at a constant 84 degrees Fahrenheit, must be hard to resist on a grey January day. The village has a variety of restaurants, and a spread of leisure activities, all based on a quality lifestyle.

Some 400 jobs created at Center Parcs are permanent, since the village is proving busy all the time. Mr Peter Moore, the company's UK director of sales and marketing, claims it has begun to mine a new seam of tourism – people who have free time during weekdays due to flexibility of work or simply because they are looking after young families.

A second village is already being built near Thetford, and Center Parcs is looking at five or six further possible sites around Britain. All must offer a unspoilt evergreen woodland comfortably close to population catchment areas. The reason for evergreens is that they look far more cheerful during winter months. If the site does not have water (as Rufford did not) it is built in. Villas are inter-spaced harmoniously with the woodland.

Inevitably, such a successful formula will attract copies. But Mr Moore suggests that developers who attempt to take on Center Parcs may find the going hard. "My company has been in the business for over 20 years. What seems to be simple on top is subtle underneath. It's all about attention to detail."

The same maxim motivates Nottinghamshire's tourism planners, who are beginning to explore such themes as a Pilgrim Fathers' heritage trail in Bassetlaw (they came from the villages of Scrooby and Babworth) and a Museum of the Civil War in Newark (besieged three times during the hostilities). Lacking great country houses and magnificent cathedrals, the county intends to increase its own gentle attractions while making the most of its situation as a convenient base for Lincoln, Chatsworth and Warwick.

Robin Hood is just part of the game plan to rob from richer pots around the country. He is joined by D H Lawrence, whose birthplace at Victoria Street, Eastwood, is a museum carefully restored by Broxtowe Borough Council, and Lord Byron, buried near the family seat at Hucknall Torkard. Such rebels are just one of the surprises about what the tourist board calls the Shires of Middle England.

Robert Waterhouse

The Duke of Gloucester, East Midlands tourist board president, flanked by Lord Northbourne (left) director and Piet Derksen, founder/chairman of Center Parcs, with (far right) Andrew Pugh, tourist board chairman, at the opening of Center Parcs' Sub-Tropical Paradise in September

City in search of an image

Continued from page 1

which have already set up economic development units, but also the private sector, which recently joined the local authorities in launching Nottingham Development Enterprise.

This body, like the local authority economic development units, has set itself the goal of attracting inward investment into the area as one of its highest priorities. But, again like the local authorities, it recognises that there are two obstacles in its path when it comes to attracting new industry.

The first is that when it comes to getting central government help, Nottinghamshire falls between two stools. It has been sufficiently badly hit by recession to have its fair share of difficulties, but the problems are not bad enough to have brought it assisted area status.

This means it finds it difficult to compete with regions which are in a position to offer financial inducements to incoming businesses, and there was considerable disappointment in the area when the Trade and Industry Department's reorganisation of the regional development grants system earlier this month did nothing to alter this position.

The other stumbling block is more fundamental, probably more serious, and is one of which people in Nottinghamshire have only belatedly become aware. It is its image problem.

In a sense, the county is fortunate in having a problem which is at least capable of being resolved. For although Nottinghamshire's profile is at present very low in the outside world, it is in a position to present a strong case to the potential inward investor.

Geographically, for example, it is well placed. Nottingham itself is the generally accepted capital of the East Midlands, and its fairly central location puts the city within 130 miles of London, 60 miles of Birmingham and 70 miles of Manchester.

The county is well served by road and rail links. East Midlands International Airport is just 10 miles from the City, and Nottinghamshire's position close to the eastern seaboard leads local people to talk enthusiasticly about the opportunities that could open up after the planned abolition of fiscal frontiers within the European Community in 1992.

Another strong selling point which Nottinghamshire is bringing into play is the stability of its workforce, for the county has one of the best industrial relations records in the UK. Moderate, even conservative, in their views, Nottinghamshire folk are not given over to excitability. There have been no real signs of revolutionary tendencies there since the middle of the last century, when the Luddites burned down Nottingham Castle in protest at the introduction of power looms.

As Mr Geoffrey Hulse, director of the Nottinghamshire Chamber of Commerce and Industry, points out, the Nottinghamshire miners' refusal to come out during the 1984-85 pit strike was typical.

"To local people it was no surprise to see the attitude of the Nottinghamshire miners to the influence of outsiders," he says. "It would have been exactly the same reaction if it had been the Government or anyone else trying to make them do something that was against their nature."

Low property prices are a further lure to the area. Industrial land values are a fraction of those in the South-East, as are office rents. And the latest Halifax House Price Index shows that a post-1960 detached house costing £149,000 in London could be had for virtually a third of that figure – £54,000 – in the East Midlands.

And at the end of the day, Nottinghamshire is really quite a pleasant place to live. The city is a major regional shopping centre which rivals any outside London. The easily-accessible countryside is only occasionally marred by pit workings and spoil heaps, and boasts the beautiful Sherwood Forest – increasingly a tourist attraction.

Nottinghamshire people like to work hard and play hard, and the county provides a surprisingly wide range of leisure pursuits as well as being home to highly successful football, cricket and rugby teams (not to mention Torvill & Dean).

The city also boasts a night life on a scale out of all proportion to its population of 270,000. There are two theatres, a newly-built £12m concert hall, cinemas, clubs, restaurants and ballrooms. Its discotheques enjoy something approaching cult status among Britain's youth and act as a magnet to the dance-crazed from all over the country – including even from London – at weekends.

Nottinghamshire therefore has plenty of high-quality material to work with when it comes to moulding a new image. But the harder part might come in selling it. Attracting inward investment has become a cut-throat business in Britain today, and Nottinghamshire has come late into the game. It is going to have to work long and hard to make up for lost time.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

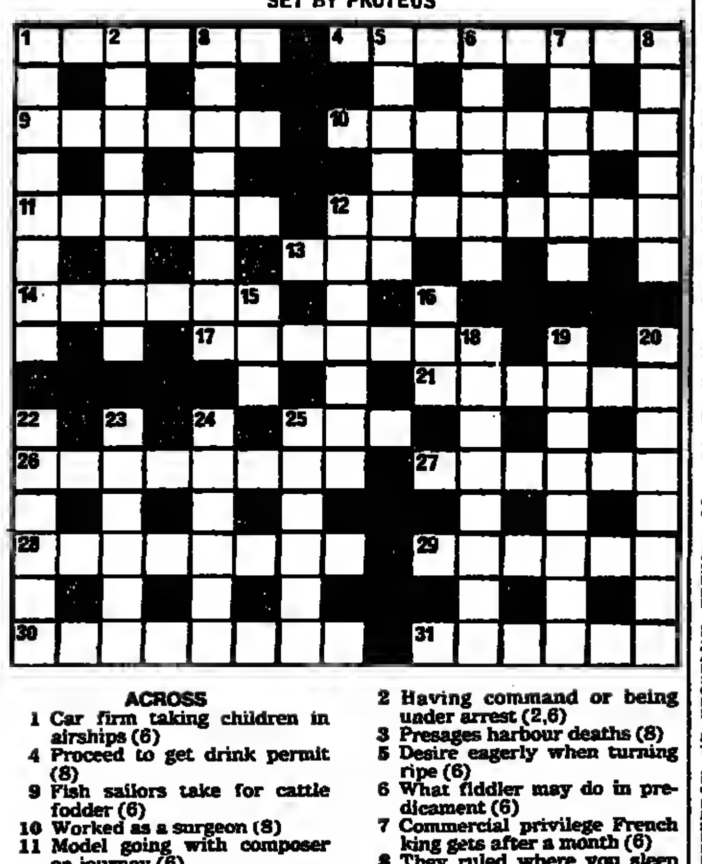
RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. a Amended dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ▼ Issued by tender. ♦ Offered at holders of ordinary shares as a rights. † Introduction. § Placing price. †† Reintroduction. ◆ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♣ Unlisted securities market. ♠ Official London listing. £ Including warrants entitlement. * Third Market.

FT CROSSWORD No.6,538

SET BY PROTEUS



ACROSS

1 Car firm taking children in airships (6)
4 Proceed to get drink permit (8)
9 Fish sailors take for cattle fodder (6)
10 Worked as a surgeon (8)
11 Model going with composer on journey (6)
12 Cross some put over concealed exit (4-4)
13 Animal requiring money it is said (3)
14 Temple to a deity in Pennsylvania (6)
17 Bird box squabble (7)
21 Leave upper floor of warehouse (6)
25 One having second thoughts about spring (3)
26 Give hint to close friend (8)
27 Two fish not doing very much (6)
28 Feast America in song (8)
29 Flower having each head like a wolf (6)
30 Job presenting no difficulty for literary sailor (4,4)
31 Faster sort of course (6)

DOWN

1 Daring character making the headlines (4,4)
2 Having command or being under arrest (2,6)
3 Presages harbour deaths (8)
5 Desire eagerly when turning ripe (6)
6 What fiddler may do in predicament (6)
7 Commercial privilege French king gets after a month (6)
8 They ruled where you sleep in France (6)
12 Emergency equipment to switch power perhaps (7)
15 Copy part of cheap edition (3)
15 Animal's shadow (3)
18 Plant discovered by forest bird (8)
19 Definite result of certain developments (8)
20 Half-suppressed laughs as poor singers swallow note (8)
22 Bill about conflagration in cab (6)
23 Hard looks in flight we hear (6)
24 Sum put on a horse (6)
25 Sound money wagered on meat (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 6.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
American Income	40.3	43.1	—	6.08
Gilts & Fixed Inc	111.9	120.2xd	+0.1	9.15
High Inc Equity	113.8	121.7xd	+1.1	4.89
Worldwide Bond	193.2	205.8	+1.0	4.71
Capital Growth				
American Growth	132.7	141.9xd	+1.1	1.55
Asian Pacific	53.3	57.0	—	2.42
Assets & Earnings Tst	128.2	137.1	+1.0	2.09
Capital Reserve	76.2	76.7	+0.1	1.52
Commodity & Energy	90.8	97.1	+0.3	1.17
European Capital	60.4	64.5	−0.7	1.16
General	153.4	164.0xd	+2.5	2.74
Japan	53.7	57.8	+0.1	0.00
Mastertrust	65.1	69.6	—	2.99
UK Growth Acc Units	181.1	193.6	+1.4	1.24
UK Growth Dist	124.1	132.7	+0.9	1.82
U.S. Emerging Co's	37.0	39.5	—	0.00
Income & Growth	236.2	252.6	+3.1	3.76
Ethical Growth	39.7	42.4	+0.3	2.95

Abtrust Management Ltd
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070
20 Chiswell St, London EC1Y 4TY 01-374 4802

	Bid Price	Offer Price	+ or −	Yield Gross
Abtrust UK Growth Fd	29.7	31.6	+0.4	3.52
Abtrust Nth Am Inc (z)	22.5	23.9	+0.1	4.96
Abtrust World Gth Fd	35.7	37.9	+0.4	0.99
Abtrust Extra Inc Fd	37.2	39.5xd	+0.3	5.20

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gilt Ac	26.2	27.9	+0.2	–
Do. Income	26.1	27.8	+0.2	0.19
Scimitar European Acc	19.8	21.1	–0.2	–
Do. Income	19.9	21.2xd	–0.3	0.12
Scimitar UK Eq Inc Acc	35.2	37.1	+0.2	–
Do. Income	33.7	35.5	+0.2	4.44
UK Cap Gth Acc	22.4	23.6	+0.2	0.75
Scimitar Pac Basin Acc	25.4	27.1	–	–
Scimitar Mangd Exempt*	137.1	142.9xd	+3.0	–

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intnl Income Units	125.6	133.8	–	3.27
Intnl Accum Units	192.5	204.8	–	3.27
UK General Acc	37.0	39.6	+0.6	3.38
UK General Inc	35.6	38.1	+0.6	3.38
American	25.2	26.9	+0.1	2.13
European	32.7	35.0xd	–0.2	1.26
Japan	52.3	55.8	+0.5	0.05
Technology	52.8	55.1	+0.2	2.29
Performance Trusts				
Far East Perf Tst	16.8	18.0	+0.3	2.00
High Inc Perf Tst Inc	23.6	25.2	+0.3	5.36
High Inc Perf Tst Acc	24.0	25.7	+0.3	5.36
Worldwide Tact Perf Tst	26.3	28.3	+0.1	2.21

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	204.3	218.5	+2.9	2.74
Columbus (America)	120.6	129.0	+0.8	1.58
Marco Polo (Pacific)	196.3	210.0	+1.8	0.59
Da Vinci (European)	202.3	216.4	–1.8	1.93
Drake (Worldwide)	49.4	52.9	–	2.71

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	197.4	210.1	+2.2	2.46
UK Smllr. Cos. Equity	202.2	215.2	+1.2	2.22
UK Special Situations	57.8	61.5	+0.4	3.11

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Jan 04 88	201.1	211.7	–	3.27

Trilion Fd Mngrs. Ltd
Royal Ldn. Hse, Colchester CO1 1RA 0206 764400

Trilion General	143.0	153.4	+1.9	1.62

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Convertible & General	57.0	60.4xd	–	6.75
Accum Units	58.9	62.3	–	–
Income	78.4	83.3	+0.5	4.74
Accum Units	78.6	83.3	+0.5	–
Smaller Co's	86.3	91.5	+0.3	1.88
Accum Units	86.9	91.5	+0.3	1.88
UK Growth	86.7	91.9	+0.8	2.09
Accum Units	86.7	91.9	+0.8	–

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	54.4	57.9	+0.8	2.60
Technical Analysis Fd	49.5	52.7	+0.8	3.29

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064

Advisers: Henderson Crosthwaite Ltd.

Friars Hse Cap Fd	176.2	187.4xd	–	1.61
Friars Hse Inc Fd	148.3	156.1xd	–	3.87

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7. 01-534 5544

United Charities	167.1	177.7	+2.0	4.37

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053

Dealing Line: 01-236 2468

Cheviot	168.1	179.8	+0.2	1.65
(Accum Units)	171.4	182.4	+0.2	–
Far East & Gen	50.8	54.0	+0.4	0.50
(Accum Units)	50.8	54.0	+0.4	–
Master Portfolio	63.987	65.622xd	–0.295	3.11
(Accum Units)	65.760	67.446	–0.302	–

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	371.5	391.2	—	–
Eb'r Ph. Eq.	334.1	356.3	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	160.0	168.4	+2.3	–
International Acc.	119.0	125.2	+0.6	–
Property Acc.	122.0	128.4	—	–
Fixed Interest Acc.	149.8	157.6	+0.4	–
Money Acc.	135.4	142.5	+0.1	–
Bldg. Soc. Lnk Acc.	132.5	139.4	+0.1	–
Special Mngd. Acc.0	141.1	148.5	+1.3	–
Phoenix/Framlington				
Intl. Growth Acc.	79.6	83.7	-1.8	–
Amer & Gen. Acc.	72.9	76.7	-2.3	–
Capital Tst. Acc.	170.5	179.3	-0.4	–
Japan & Gen Acc.	165.6	174.3	-2.2	–
American Turn. Acc.	71.7	75.4	-2.6	–
Recovery Tst. Acc.	158.2	166.5	-2.3	–
Special Mngd Acc.	134.0	141.0	-1.2	–
Phoenix/GT				
International Acc.	118.6	124.2	-2.7	–
US & General Acc.	83.9	88.3	-3.7	–
Amer Spec Sits Acc	58.2	61.2	-2.1	–
Japan & General Acc	157.9	166.2	-0.7	–
Far East & Gen. Acc.	129.2	136.0	-1.4	–
UK Capital Acc	163.4	171.9	+0.1	–
European Acc	127.1	133.7	-1.0	–
Special Mngd. Acc.	118.6	124.8	-1.2	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.7	276.6	—	–
Man Pens Inv & Cap Fds	337.0	354.8	—	–
Money Fund	110.9	116.8	—	–
Pens Mngd Fd (Init)	84.3	88.8	—	–
Pens Mngd Fd (Acc)	94.1	99.1	—	–
Pens FT30 Fd (Init)	127.5	134.3	—	–
Pens FT30 Fd (Acc)	142.3	149.0	—	–
Pens O'seas MgFd(Init)	51.8	54.6	—	–
Pens O'seas MgFd(Acc)	57.0	60.9	—	–
Pens Fxd Int Fd (Init)	105.8	111.4	—	–
Pens Fxd Int Fd (Acc)	118.2	124.5	—	–
Pens Deposit Fd (Init)	100.6	108.9	—	–
Pens Deposit Fd (Acc)	112.4	118.4	—	–

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

American	79.0	84.0	+1.0	–
Building Soc. Fd.	157.0	166.0	—	–
Balanced	225.0	237.0	—	–
Deposit	157.0	166.0	—	–
European	111.0	117.0	-2.0	–
GT Managed	142.0	150.0	+1.0	–
Gartmore Mngd	94.0	99.0	+1.0	–
German	93.0	98.00	—	–
Gilt	160.0	169.0	+1.0	–
High Inc.	111.0	117.0	+1.0	–
International Equity	147.0	155.0	-1.0	–
Japan	192.0	203.0	-1.0	–
Managed	48.0	51.0	—	–
Property	238.0	251.0	—	–
R. W. Imperial Gold	107.0	113.0	+1.0	–
UK Equity	290.0	306.0	—	–
Pension Funds				
American	77.0	82.0	-1.0	–
Building Soc. Fd.	147.0	155.0	—	–
Balanced	163.0	172.0	+1.0	–
Deposit	146.0	154.0	+1.0	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prubond				
Managed Jan 20	193.1	201.2	—	–

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	422.4	444.7	+3.3	–
Equity Fd.	866.4	912.1	+10.1	–
Intnl. Fd.	286.F	301.8	+1.7	–
Fixed Int. Fd.	356.9	373.7	+0.5	–
Prop. Fd.	299.9	315.7	—	–
Cash Fd.	233.0	245.3	—	–
Pacific Basin Fd.	157.7	166.0	+1.4	–
North American Fd.	112.3	118.3	+0.6	–
European Fd.	127.8	134.6	-1.0	–
Holborn Balanced Gwth Fd	–	–	—	–
Holborn Strategic Gwth Fd	–	–	—	–

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	448.9	472.6	+1.0	–
Equity	644.3	678.3	-0.7	–
Global Equity	181.1	790.7	+1.4	–
Fixed Interest	364.3	383.5	—	–
Property	299.0	315.6	+0.1	–
Cash	157.1	144.4	+0.1	–
Index Linked Gilt	127.7	166.0	+0.1	–
Guaranteed	8.75	4.50	—	–
International Money	187.0	196.9	-0.1	–
North American Fd	51.1	53.8	+0.5	–
Japanese Fund	107.9	113.6	+1.6	–
European Fund	67.0	70.6	+0.5	–
Special Situations Fd.	93.1	98.1	+1.2	–
Communications Fund	74.5	78.5	+0.2	–
Smaller Cos Fund	95.0	100.1	+0.5	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Jan 20	£119.04	122.58	—	–
Equity Fund Jan 20	£128.60	132.51	—	–
Invntl Fund Jan 20	£14.90	20.15	—	–
Intl Bond Fd Jan 20	£10.39	10.53	—	–
Fixed Int Jan 20	£65.01	65.83	—	–
Index Linked Jan 20	£47.36	47.94	—	–
Property Fund Jan 20	£77.06	81.78	—	–
Cash Fund Jan 11	£18.0350	18.0350	—	–
Pru-Linked Retirement Plan				
Managed Fd Jan 20	299.4	311.9	—	–
Cash Fund Jan 20	171.6	178.8	—	–
Prudential Pension Investment Account				
Pens Man Fd Jan 22	123.8	130.4	+1.6	–
Pens UK Eq Fd Jan 22	224.6	236.5	+2.9	–
Pens Hi Fd Jan 22	140.5	147.9	+1.9	–
Pens Fid Jan 22	148.9	156.8	+1.0	–
Pens Index Lk Jan 22	122.6	129.1	+2.1	–
Pens Cash Fd Jan 22	112.2	118.2	—	–

Regency Life Assurance Co Ltd
55-57 High Holborn, WC1V 6DU. 01-831 7481.

Aggressive Ptflo Fd.	101.6	106.9	-0.3	–
Balanced Ptflo Fd.	272.8	287.1	+0.1	–
Cautious Ptflo Fd.	111.3	117.1	-0.1	–
Elite Fund	97.1	102.2	-0.6	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
10Nov 10May	Exch 10½pc '88	[illegible]	5.10	10.45	8.70
14Dec 14Jne	Treas 9¾pc Cv '88	[illegible]	9.11	9.73	8.78
1Jan 1Jul	Transport 3pc '78-88	96½	25.11	3.09	6.48
25 Apr 25 Oct	Treas. 9¾pc '88	[illegible]	18.9	9.67	8.99
22 Aug 22 Feb	Treas 11½pc 1989	[illegible]	18.1	11.25	9.07
18 Oct 18 Apr	Treas 9½pc Cnv 1989	[illegible]	11.9	9.46	9.05
15Nov 15May	Treas 3pc 1989	[illegible]	9.10	3.14	6.61
14Dec 14Jun	Treas 10½pc 1989	101½	9.11	10.33	9.15
1Feb 1Aug	Exch 10pc 1989	[illegible]	29.12	9.88	9.16
29 Mar 29 Sep	Exch 11pc 1989	[illegible]	24.8	10.71	9.20
15 Apr 15 Oct	Treas 5pc 1986-89	[illegible]	8.9	5.23	7.77
15 May 15 Nov	Exch 10½pc Cv '89	[illegible]	9.10	9.96	8.45
15 Jul 15 Jan	Treas 13pc 1990‡‡	[illegible]	9.12	12.17	9.13
11 Aug 12 Feb	Exch 11pc 1990‡‡	[illegible]	6.1	10.65	9.18
22 Sep 22 May	Exch 12½pc 1990	[illegible]	17.8	11.77	9.24
8 Nov 8 May	Treas 3pc 1990	[illegible]	2.10	3.28	7.06
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	96½	9.11	8.38	8.95
16Jly 16Jan	Tr. 8pc Cv 1990 (50pd)	[illegible]	–	8.16	8.90
25 Apr 25 Oct	Treas 10pc Cv 1990	[illegible]	18.9	9.85	9.24
22 May 22 Nov	Exch 2½pc 1990	[illegible]	16.10	2.81	6.84
10 July 10 Jan	Treas 11¾pc 1991	[illegible]	4.12	11.05	9.24

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on Page 38

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Jan Apr Jly O	Rep NY Corpn $5	23⅞	10.12	$1.16	–	2.7
Mr Jn Se De	Rockwell Intl. $1	9¼	9.11	66c	–	3.9
Oc Ja Ap Jly	Sara Lee $1(1/3)	19⅝xd	12.1	$1.00	–	2.8
Mr Je Se De	Saul (B. F.) $1	8½xd	12.1	20c	–	1.2
Fb My Ag No	Southwestern Bell $1	19⅝	7.7	h$2.32	–	6.5
–	♥Staley Continental	11⅝	–	80c	–	3.8
Mr Je Se Oc	Sun Co. Inc. $1	27⅝	5.11	$3.00	–	3.9
Ma Ju Se Oc	TRW Inc. $0.625	26⅞	11.0	h$1.60	–	3.3
Mr Jn Sp Oc	Tenneco $5	22xd	11.0	$3.04	–	7.6
June Dec	Do. (Opcl.n.Sd. 91-5	138	13.12	10%	–	14.7
Mr Je Se De	Texaco $6.25	22¼	31.7	$3.00	–	7.7
Mr Ju Se Oc	Time Inc. $1	45⅝	22.8	[illegible]	–	1.2
Ja Ap Ju Oc	Transamerica $1	17⅞	29.12	[illegible]	–	5.8
Fe My Au No	Transworld Corp $5	804p	11.11	[illegible]	–	1.4
Mc Je Se Oc	TRINOVA Corp	16	9.11	[illegible]	–	1.9
Mr Je Se De	♥USX $1	17¼	30.10	[illegible]	–	3.8
Mr Ju Sp De	Utd. Technologies	19½	19.5	[illegible]	–	3.9
Fb My Ag No	US West	27⅞	13.4	[illegible]	–	6.4
Ap Jly Oc Jan	Waste Management $1	19¼	15.12	[illegible]	–	1.0
–	Whirlpool $1.0	14⅛	–	[illegible]	–	–
Mr Ju Se Oc	♥Woolworth $3½	20⅛	19.11	[illegible]	–	3.6

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
–	ABM Gold Corp	290p	–	–	–	–
–	♥Abbot Energy Corp	17½p	–	–	–	–
–	♥Amer. Barrick Res.	11⅝	–	–	–	–
–	American Lightwave	5p	–	–	–	–
–	♥Armeco	41½p	–	–	–	–
–	Augmitto Expln	66p	–	–	–	–
Fb My Ag Nv	Bk. Montreal	11⅝	9.11	$2.00	–	7.3
Ja Ap Ju Oc	Bk. Nova Scot.	574p	29.11	72c	–	5.2
Ap Jy Oc Ja	BCE	15⅞	10.9	$2.40	–	6.3
May Nov.	♥Bow Valley	650p	15.12	♦40c	–	2.6
Ja Ap Jy Oc	♥Brascan	10⅝	28.10	88c	–	3.4

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES – Contd

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Oct.June	Pearl Group 5p	442	14.9	†10.5	–	3.3	–
Mar. May	Prudential	840	12.10	†29.0	–	4.7	–
Nov. May	Refuge 5p	440	14.9	15.75	–	4.9	–
Jan. May	Royal	487	28.9	†18.5	–	5.2	–
–	Sabre Ins. Inns	98	–	–	–	–	–
April Oct.	Sedgwick Group 10p	234	14.9	12.4	1.7	7.0	10.6
May Nov	Steel Burrill J.10p	163	14.9	†9.0	2.0	7.4	9.1
Mar Sept	Stenge Hldgs 20p	440	27.7	8.5	♦	2.7	♦
Jan. July	Sun Alliance	850	26.10	†23.5	–	5.9	–
June Nov.	Sun Life 5p	1030	28.9	†28.5	–	3.8	–
April	♦Taisho M EDR	[illegible]	25.3	[illegible]	–	1.0	–
Fb My Au Nv	Torchmark $1.00	[illegible]	[illegible]	[illegible]	–	3.8	–
Nov. May	Trade Indemnity	367	28.9	[illegible]	–	7.8	–
Ma Je Se De	Travelers $1.25	[illegible]	28.7	[illegible]	–	6.3	–
–	USF & G Corp $2.50	[illegible]	22.0	[illegible]	–	7.8	–
Dec. June	USLIFE Corp. $1.0	[illegible]	[illegible]	[illegible]	3.2	4.5	7.3
June Nov	♦Wind Friendly B 10p	535	12.10	[illegible]	–	5.4	–
May Nov	Willis Faber 12½p	245	28.9	[illegible]	2.4	6.1	9.2
Mar. July	Windsor Secs. 10p	43	22.12	[illegible]	♦	7.8	♦

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

Sony Broadcast European headquarters

WILTSHIER SOUTHERN, Winchester, has been awarded three contracts worth more than £8m, on sites in Basingstoke and Reading.

The company has won a £7m contract to build a European headquarters building for Sony Broadcast at Jays Close, Basingstoke. The three-storey development is on a green field 12 acre site close to the centre of Basingstoke and the M3, and will include 100,000 sq ft of offices with 35,000 sq ft of production and distribution space. It will be one of the largest commercial developments in Basingstoke.

A steel portal-frame will be used, with Luxalon cladding in two pastel colours. Project manager is Takenaka (UK). Work has started on site, with completion scheduled for autumn.

In a £2.65m contract, Wiltshier is to build 102,000 sq ft of new business units at West Ham Industrial Estate, Basingstoke. The development is being carried out on behalf of Postel Properties, and will provide 11 business units with up to 50 per cent office space in each. Brick and tinted glass cladding will be used on the frontages of the buildings, which are arranged in three blocks. Construction is planned to take 42 weeks, and started at the end of November.

In Kings Road, Reading, work has started on a £1.52m four-storey office and flat development for Eagle Star Properties. The project is due for completion in October.

CONTRACTS

Lelliott wins £30m orders in London

The JOHN LELLIOTT GROUP has won nearly £30m contracts in and around the London area.

John Lelliott (Contracts) has been awarded 15 orders totalling almost £15m which include the £2.1m refurbishment of Tunsgate Square shopping centre in Guildford for Lynton Property & Reversionary, for whom the company is also refurbishing offices in South Molton Street (£500,000).

From Sun Alliance come contracts worth £2m for refurbishment work at Portland House, SW1; Clarendon Road, Watford; 50 Regent Street, W1 and at 33 St James' Street, SW1.

Further work is to be carried out on the 1st, 5th and 6th floors of Chelsea Cloisters (£1m) and at Banque Belge, Bishopsgate (£1.4m).

Refurbishment work is to be carried out for Four Seasons Hotels, at Inn on the Park (£1.1m); Victoria Casino (£200,000) and alterations to the kitchens and a function room at the National Theatre (£84,000).

Work will start shortly on fitting out offices for Ernst & Whinney at York House, Holborn (£1.8m) and at the Banco di Roma in Gresham Street (£600,000). Fire reinstatement at Hampshire House, Hyde Park Place and fitting out offices in Farringdon Street for British Commonwealth Properties are each worth (£700,000) and work in Kensington High Street for the British Shoe Corporation for (£84,000).

John Lelliott (Ilford) has secured contracts totalling £8.2m, including refurbishing and fitting out offices to be the new headquarters for Allied Irish Bank in Uxbridge for £2.6m. Further fitting out is for Waitrose in West Byfleet (£1.8m) and Littlewoods Stores in Ashford, Kent (£1.7m).

Refurbishment with some new building is to take place at Hamilton House on the Embankment (£1m).

Other orders include industrial units in East London for A1 Packaging (£200,000), Leatherland and Sofaland in Tottenham Court Road and Wembley respectively are refurbishing their stores (£213,000 and £200,000). Offices and warehousing are being fitted out in Harlow, Essex, for Swiss print machinery manufacturer Ferag for £250,000 and enabling works for construction of a new office block in Babmaes Street, London SW1 accounts for £200,000.

John Lelliott Management has two contracts, each worth £3.5m. The first to construct a computer centre for the National Provident Institution at Tonbridge Wells and the other office refurbishment with some new building in Featherstone Street, EC1, for Earl Investments.

Variety of work for Try

Contracts worth £7m have been awarded to TRY CONSTRUCTION. The largest, at £2m, is in Chelsea where Try will convert the listed Cheyne House in Cheyne Walk into eleven luxury flats. Formerly used to accommodate nurses, Cheyne House is being developed by Princeton Holdings. The project involves strengthening the roof, window replacement, and internal refurbishment to include restoration of the original fibrous plaster ceilings.

In Fulham, the company has a £1.3m contract to build a 40-bay ambulance station and vehicle workshop for the South West Thames Regional Health Authority. This complex replaces the original Earls Court ambulance station which has been demolished to make way for the new facility.

In Acton, on the old C.A.V. estate, the company has started a £2m contract to build ten industrial units totalling 73,000 sq ft for Brixton Estates. The scheme is in three large buildings, two of which house four units and the other two units. Each building incorporates a steel roof and the outside walls are clad with brickwork.

Refurbishment work worth £634,000 has begun at the Imperial Cancer Research Fund's Clare Hall Laboratories in South Mimms. Try is carrying out structural alterations and internal reorganisation in preparation for new laboratories.

At the All England Lawn Tennis Club, Wimbledon, the company has begun a £400,000 contract to build a TV and Press interview room. In addition there is to be office restructuring in the east stand Centre Court at a cost of £89,000.

SIMONS CONSTRUCTION GROUP has won orders worth £10m. The work includes a hotel, refurbishment to a motorway service station, shopping centre, office block, fast food fit outs and extensions to the Skoda (GB) headquarters in King's Lynn.

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS–
Cosalt, Founders Court, Lothbury, E.C., 11.30

BOARD MEETINGS–
Finals:
Crescent Japan Inv. Tst.
KLP Group
New Tokyo Inv. Tst
Saville Gordon (J.)
Talbex Group
Telecomputing
Interims:
GT Japan Inv. Tst.
McKay Securities
London Shop
Lysander Petroleum
Oceana Cons.
Racal Electronics

DIVIDEND & INTEREST PAYMENTS–
Bank of Montreal Fltg. Rate Debs. Series 10 1993 $367.48
Brikat Group 1.85p
CPC Intl. 36cts.
Comms. of the State Bank of Victoria Gtd. Fltg. Rate Nts. 1996 $358.44
Cranswick Mill Group 1.85p
Debenhams 7¼% Un. Ln. 2002/07 3⅝pc.
Do. 7¼% Un. Ln. 2002/07 3⅝pc.
FKI Electricals 0.8p
General Electric 35cts.
Graig Shipping 5p
Do. A N/Vtg. 5p
Hewden-Stuart Plant 10% Cnv. Un. Ln. 2003/08 5pc.
Manufacturers Hanover 82cts.
Melville Street Invs. 0.5p
Panama (Republic of) Fltg. Rate Series Nts. 1991 $218.45
Penny & Giles Intl. 0.88p
Toronto-Dominion Bank 23cts.
Treasury 12% 1995 6pc.
Treasury 13¾% 2000/03 6⅞pc.
Treasury 2% I.L. 1990 £1.2039
U.K. Land 5p
Wolverhampton & Dudley Breweries 4.03p

TOMORROW

COMPANY MEETINGS–
Borthwicks, Butchers' Hall, 87, Bartholomew Close, E.C., 12.00

BOARD MEETINGS–
Finals:
Rush & Tompkins
Interims:
AGB Research
British Bloodstock Agency
Finlan Group
Flogas
Osprey Communications
Practical Inv.
Press Tools
Shelton (Martin)
Wood (John O.)

DIVIDEND & INTEREST PAYMENTS–
Boots 3.1p
F. & C. Alliance Inv. 0.34p
Marston, Thompson & Evershed 0.85p
Powerscreen Intl. 1p
Rothmans Intl. 3.3p
Treasury 7¼% Ln. 1985/88 3⅝pc.
Treasury 7¾% Ln. 2012/15 3⅞pc.
Treasury 2½% I.L. 2016 £1.5605

WEDNESDAY JANUARY 27

COMPANY MEETINGS–
Craton Lodge & Knight, 149, Hammersmith Road, W., 12.00
Crystalate Hldgs., Scientific Instrument Makers Hall, 9, Montague Close, S.E., 12.00
Economic Forestry Group, Le Meridien, Piccadilly, W., 11.00
Euromoney Publications, Carmelite House, Carmelite Street, E.C., 11.00
Gleeson (M J) Group, Haredon House, London Road, North Cheam, Surrey, 12.00

BOARD MEETINGS–
Finals:
Camford Eng.
Hoy & Croft
Newman Tonks
Interims:
Biotechnology Invs.
Dale Electric Intl.
Excalibur Jewellery
Ferranti
Fletcher King
Meys
Optical & Medical Intl.
Park Food
Property Security Inv. Tst.
Stanco Exhibition Group

DIVIDEND & INTEREST PAYMENTS–
Asprey 1.25p
BAA 3p
Bank of Nova Scotia 18cts.
Canadian Imperial Bank of Commerce Fltg. Rate Debs. 2084 $580.14
Cosalt 3p
Gleeson (MJ) Group 4.8p
Housing Finance Agency 2% I.L. 2008 1pc.
National Australia Bank 12.5cts.
Northern American Trust 4p
Rexmore 0.55p
Strata Invs. 0.55p

THURSDAY JANUARY 28

COMPANY MEETINGS–
Chemring Group, Alchem Works, Fratton Trading Estate, Portsmouth, 2.30
Cronite Group, Painters' Hall, 9, Little Trinity Lane, E.C., 12.00
Fairline Boats, Peterborough Moat House, Thorpe Wood, Peterborough, 12.00
Norton Opax, Stationers' Hall, Ave Maria Lane, E.C., 12.30
Ranks Hovis McDougall, Royal Lancaster Hotel, Lancaster Terrace, W., 12.00
Redfearn, Butchers' Hall, 87, Bartholomew Close, E.C., 12.00
Wheeler, St. Ermin's Hotel, Caxton Street, S.W., 12.00

BOARD MEETINGS–
Finals:
Assoc. Fisheries
Fitch Lovell
Heavitree Brewery
Hodgson Hldgs.
Lonrho
Throgmorton Trust
Warner Estate Hldgs.
Interims:
Atlantic Assets Trust
BTS Group
Haynes Publishing
Independent Inv.
London Inv. Tst.
Neepsend
Raglan Property Tst.
Webb (Joseph)

DIVIDEND & INTEREST PAYMENTS–
Allied Irish Banks Sub. Prim. Cap. Perp. FRN $209.24
Australia & New Zealand Banking 11cts.
Australia (Commonwealth of) 13½% Ln. 2010 6¾pc.
Canadian Imperial Bank of Commerce 27cts.
Canadian Pacific 15cts.
Do. 4% Non-Cum. Prf. (C$) 2p
Do. 4% Non-Cum. Prf. (Stlg.) 2p
Do. 4% Non-Cum. Prf. (Int. Transfer) 2p
Chase Manhattan Overseas Bank Fltg. Rate Nts. 1993 $37.28
Havelock Europa 2.6p
Italy (Republic of) Fltg. Rate Nts. 1997 $386.72
Redland 5p
Rolfe & Nolan 1.5p
Treasury 8½% Ln. 2000 £5.5174
Wells Fargo Fltg. Rate Sub. Nts. 2000 $72.12

FRIDAY JANUARY 29

COMPANY MEETINGS–
Camotech, Crest Hotel, Manor Lane, Maidenhead, Berks., 10.00

BOARD MEETINGS–
Interims:
Ariel Inds.
Davies (O.Y.)
Douglas (Robert M.)
Ferguson (James)
Fletcher Dennys Systems
Hampton Trust
Highgate & Job
Shield Group
Sommerville (William)
Wholesale Fittings

DIVIDEND & INTEREST PAYMENTS–
Anchor Chemical Group 5p
Armour Trust 0.606p
Attwoods 4.5p
Bank of Nova Scotia Fltg. Rate Debs. 2000 £238.11
Barclays Overseas Gtd. Fltg. Rate Nts. 1995 $189.58
Barker & Dobson 6¾% Un. Ln. 1990/95 3⅜pc.
Beatrix Mines 38cts.
Beaverco 1.7p
Blenheim Exhibitions 2.95p
Bristol Evening Post 3p
Buffelsfontein Gold Mining 325cts.
Camotech 1.372p
Campbell & Armstrong 1.5p
Carr's Milling Inds. 5.5p
Century Oils Group 1.75p
Chemical New York Fltg. Rate Senior Nts. 1999 $64.95
Chemring Group 12p
Christy Hunt 0.55p
Chrysalis Group 5p
Church (Charles) Developments 1p
Citicorp Banking Corp. Gtd. Fltg. Rate Sub. Cap. Nts. 30/10/96 $203.8
Do. Gtd. Fltg. Rate Sub. Cap. Nts. 30/1/97 $203.6
Country & New Town Properties 0.7p
Crystalate Hldgs. 3.75p
Davies & Newman Hldgs. 4p
Die Erste Osterreich SparCasse Sub. Fltg. Rate Nts. Jan. 1992 $376.944444
Dow Chemical 55cts.
E.R.F. (Hldgs.) 2p
Economic Forestry Group 1.75p
Fairline Boats 6p
Gibbs Mew 1p
Greycoat Group 1.6p
Grootvlei Proprietary Mines 40cts.
Halifax Building Society Fltg. Rate Ln. Nts. 1996 (Ser. A) £34.73
Hawley Group 4.2cts.
ITL Information Technology 0.4p
Italian Intl. Bank Fltg. Rate Nts. 1991 $383.33
Italy (Republic of) Fltg. Rate Nts. 2005 $64.95
Jacksons Bourne End 2p
Korea Exchange Bank Fltg. Rate Nts. 1995 $381.25
Leumi Intl. Invs. Gtd. Fltg. Rate Nts. 1990 $37.81
Lexicon 0.25cts.
Lowe's 11cts.
McLeod Russel 4p
NCR Corp. 25cts.
National Australia Bank Fltg. Rate Nts. 1997 $381.25
Next 6% Cum. Prf. 2.1p
Do. 7% A Cum. Prf. 2.45p
Do. 10% B Cum. Prf. 1.75p
Plysu 0.55p
Ranks Hovis McDougall 5.84p
Reliable Properties 5.75p
Renold 0.5p
River & Mercantile Trust 1.3p
Royal Bank of Canada Fltg. Rate Debs. 2005 $71.04
Russell (Alexander) 0.54p
St. Helena Gold Mines 55cts.
Sale Tilney Red. Cum. Non-Ptg. Prf. 1.75p
Saul (B.F.) Real Estate Inv. Tst. 5cts.
Sekers Intl. 1p
Select Appointments 1p
Speyhawk 8.48p
Stilfontein Gold Mining 110cts.
Temple Bar Inv. Tst. 7% Cum. Prf. 2.45p
Tor Inv. Tst. 5½% Deb. 1985/90 2¾pc.
Transamerica Corp. 46cts.
Trimoco 0.4p
Tubos De Acero De Mexico Fltg. Rate Nts. 1989 $242.78
USF & G Corpn. 62cts.
Union Steel Corp. (of South Africa) Pref. 8 8cts.
Virgin Group 1.8p
Waterglade Intl. Hldgs. 1.5p
Wells Fargo Fltg. Rate Sub. Nts. 1992 $65.75
Wells Fargo Intl. Financing Gtd. Fltg. Rate Sub. Nts. 1996 $198.99
West Rand Cons. Mines 20cts.
Westpac Banking Corpn. 14.5cts.
Whessoe 1p
Wolseley 10p

SATURDAY JANUARY 30

DIVIDEND & INTEREST PAYMENTS–
Blyvooruitzicht Gold Mining 20.9937p
Brammall (C.D.) 14% Cnv. Un. Ln. 7pc.
Cambridge Instrument 0.22p
Leisure Invs. 1.095p
Macallan-Glenlivet 7% Cum. Prf. 3.5p
Nationwide Anglia Bldg. Society 3¾% I.L. Ln. 2021 £2.0583
Scottish Eastern Inv. Tst. 12¾% Deb. 2012 6⅜pc.
Do. 9¾% Deb. 2020 4.8955pc.
Storehouse 9% Cnv. Un. Ln. 1992 4½pc.
Tiphook 1.65p
Yellowhammer 0.75p

SUNDAY JANUARY 31

DIVIDEND & INTEREST PAYMENTS–
Airflow Streamlines 10% Cum. Prf. 5p
Allebone 8¾% Cnv. Cum. Red. Prf. 4.375p
Do. 7% Un. Ln. 1994/99 3½pc.
Assoc. Fisheries 8¼% Un. Ln. 1991/96 4⅛pc.
Avesco Cum. Ptg. Cnv. Red. Prf. 1997 2p
Beattie (James) 6% Cum. Prf. 2.1p
Beazer (C.H.) 9½% Cnv. Un. Ln. 2000 4¾pc.
Bentalls 5½% Cum. Prf. 1.925p
Biomechanics Intl. 8% Cnv. Un. Ln. 1991 4.2849315pc.
Brettle (George) 9¾% Un. Ln. 1987/92 4⅞pc.
Britannia Arrow 9% Cnv. Un. Ln. 1995/2000 4½pc.
British & Commonwealth 4.75% Cnv. Red. Prf. 1.48653p
Do. 7¾% Cnv. Sub. Un. Ln. 2000 3.875pc.
British Dredging 8% Un. Ln. 1993/98 4pc.
Campbell Soup 42cts.
Chase Property Hldgs. 1.25p
Dewhirst (I.J.)(Hldgs.) 6.75% Cum. Prf. 4.875p
Dixons Group Div. Cnv. Cum. Red. Prf. 3.57p
Drayton Japan Trust 4% Prf. 1.4p
Elswick 8% Cnv. Cum. Red. Prf. 1992/94 4p
English & Scottish Investors 4% Deb. 1982/89 2pc.
Do. 5% Deb. 1982/89 2½pc.
Do. 6½% Deb. 1985/89 3¼pc.
Essex Water 2.45% Perp. Prf. 1.225p
Do. 3.5% Prf. 1.75p
Do. 4.025% Prf. 1988/88 2.0125p
First National Finance 6.3% Cnv. Cum. Red. Prf. 3.15p
First Scottish American Trust 11.5% Deb. 2016 5.75pc.
Fleming Japanese Inv. Tst. 5% Cum. Prf. 1.75p
Do. 4½% Deb. 1985/90 2¼pc.
Fobel Intl. 8% Un. Ln. 1988/93 4pc.
Foseco Minsep 8¼% Cnv. Red. Cum. 2nd. Prf. 4.125p
Do. 10% Cnv. Un. Ln. 1990/95 5pc.
Gartmore Information & Finance Trust 4¼% Cum. Prf. 1.4875p
Do. 5¼% Cum. Prf. 1.8375p
Guildhall Property 6¾% 1st. Mtg. Deb. 1990/95 3⅜pc.
Hartwell 0.75p
Haslemere Estates 10½% 1st. Mtg. Deb. 2016 5¼pc.
Hill, Thomson 8% Deb. 1987/92 0.67945p
Hopkinsons Hldgs. 5.25% Cum. Prf. 2.625p
House of Fraser 6% Un. Ln. 1993/98 3pc.
Do. 8½% Un. Ln. 1993/98 4¼pc.
Iceland (Republic of) 14½% Ln. 2016 7¼pc.
Juliana's Hldgs. 7½% Cnv. Un. Ln. 2000/02 3¾pc.
Lewis (John) Properties 9¼% Mtg. Deb. 1992/97 4⅝pc.
Liberty 6% Cum. Prf. 2.1p
Do. 9.5% Cum. Prf. 4.75p
Linread 8% Un. Ln. 1987/92 4pc.
London Securities 6½% Cnv. Prf. 166.925p
Lynton Property & Reversionary 10¾% 1st. Mtg. Deb. 2017 2.1988pc.
M. & G. High Income 6.3p
McKechnie 6% Cum. Prf. 2.1p
Malaysia 10¾% Ln. 2009 5⅜pc.
Marley 6½% Cum. Prf. 2.275p
Murray Ventures 11.1% Deb. 1991/96 6.55pc.
Noble & Lund 8% Cnv. Cum. Red. Prf. 4.8p
Norton Opax 5¼% Cnv. Cum. Red. Prf. 2002 2.3p
Osborn (Samuel) 7¾% Deb. 1993/98 3⅞pc.
PHH Group 27cts.
Parker Knoll 9% Deb. 1989/94 4½pc.
Pentos 13½% Cnv. Un. Ln. 1990 6¾pc.
Pressac Hldgs. 10.5% Cum. Prf. 5.25p
Reed Intl. 6% Deb. 1983/88 3pc.
S & U Stores 31.5% Cum. Prf. 1.96875p
Smith & Nephew 5½% Cum. Prf. 1.925p
Smith New Court Cnv. Cum. Red. Prf. 3.4904109p
Smiths Inds. 7½% Deb. 1983/88 3¾pc.
Do. 11¼% Deb. 1995/2000 5⅝pc.
Southern California Edison 59.5cts.
Tarmac 8¾% Un. Ln. 1990/95 4⅜pc.
Tesco 4% Un. Deep Disc Ln. 2006 2pc.
Throgmorton Trust 7¼% Cum. 1st. Prf. 2.5375p
Tootal Group 7¾% Un. Ln. 1989/94 3⅞pc.
Transport Development Group 12½% Un. Ln. 2000 6¼pc.
Tyzack Turner Group 7½% Cum. Prf. 2.625p
Vaux Group 6½% Deb. 1987/90 3¼pc.
Do. 7¼% Deb. 1987/90 3⅝pc.
WCRS Group 55% Cnv. Cum. Red. Prf. 1999 2.75p
Western Ground Rents 8¾% 1st. Mtg. Deb. (1956/91) 1⅜pc.
Wolseley 7% Deb. 1986/91 3½pc.
Do. 10% Deb. 1990/95 5pc.

PARLIAMENT

TODAY

Commons: Regional Development Grants (Termination) Bill, second reading. Motion on the London Regional Transport Levy Order.

Lords: Social Security Bill, second reading. Unstarred question on whether the Government will use its influence to rename one of London's major streets in honour of Australia in the bicentenary year.

Select committee. Public Accounts - subject: objectives and management of Ordnance Survey. Witness: Mr Peter McMaster, Director General, Ordnance Survey. (Room 16, 4.45 pm.)

TOMORROW

Commons: Debate on the Army. Motion on the Church of England (Legal Aid and Miscellaneous Provisions) Measure.

Lords: Local Government Bill, committee. Code of Local Government Audit Practice for England and Wales, regulations. Motion on the Food Protection (Emergency Prohibitions) Order.

WEDNESDAY

Commons: Opposition Day debate on The Government of Scotland. Motion on changes in the immigration rules. Remaining stages of the Income and Corporation Taxes Bill.

Lords: Debate on land use and sea use in and around Scotland. Debate on the Woodfield Report on the supervision of charities. Question to the Government on financial assistance to British Rail enabling it to realise the full potential of the Channel Tunnel scheme.

Select committees. Trade and Industry - subject: the Post Office inquiry. Witnesses: Post Office officials. (Room 15, 10.15 am.)

Social Services - subject: resourcing the National Health Service. Witness: National Association of Health Authorities of England and Wales. (Room 21, 4 pm.)

Education, Science and Arts - subject: the arts. Witnesses: Mr Richard Luce, Arts Minister and officials. (Room 5, 4.15 pm.)

Employment - subject: work of the Department of Employment Group. Witnesses: Mr Norman Fowler, Employment Secretary, and Mr John Cope, Minister of State for Employment. (Room 17, 4.15 pm.)

Home Affairs - subject: broadcasting. Witness: BBC (Room 15, 4.15 pm.)

Public Accounts - subject: computer security in government departments. Witness: Mr John Anson, Treasury. (Room 15, 4.15 pm.)

Environment - subject: air pollution. Witness: CEGB. (Room 20, 4.30 pm.)

Foreign Affairs - subject: Gulf issues and general political aspects of arms control progress. Witness: Sir Geoffrey Howe, Foreign Secretary. (Room 6, 4.30 pm.)

Treasury and Civil Service - subject: Government expenditure plans 1988-89 and 1990-91. Witnesses: Treasury officials. (Room 8, 4.30 pm.)

Joint committee - Private Bill Procedure. Witnesses: Sir Eldon Griffiths MP and Mr Andrew Bennett MP (Room 3a, 5pm.)

THURSDAY

Commons: Merchant Shipping Bill, second reading. Welsh Development Agency Bill, second reading.

Lords: Local Government Bill, committee. Arms Control and Disarmament (Immunities and Privileges) Bill, committee.

Select committee: Standing Orders. Brighton and Preston Cemetery (Petition for Bill). (Room 13, 11.30 am.)

Trade Fairs and Exhibitions: UK

January 26-28 Hirex Exhibition (01-660 8008) **Wembley Conference Centre**

January 30-February 3 British International Toy and Hobby Fair (01-701 7127) **Earls Court**

February 2-3 Electronica Industry Show (0273 576131) - ELECTRO WEST **Bristol Exhibition Centre**

February 2-4 London International Safety and Health Exhibition (01 446 8211) **Novotel**

February 7-11 International Spring Fair - Hardware and Housewares Show (0604 22023) **NEC, Birmingham**

February 9-10 USM exhibition and conference (01-493 0000) **Chiswell Street, London**

February 10-12 Energy exhibition (01-660 8008) **Harrogate**

February 11-14 Crufts Dog Show (01-493 7838) **Earls Court**

February 14-16 International Automotive Parts and Accessories Trade Show - AUTOPARTAC (01-855 7777) **Olympia**

February 17-18 Northern Building Services and Energy Management Show (01-580 7625) **G-Mex Centre, Manchester**

February 20-28 Boat, Caravan & Leisure Show (021-236 3366) **NEC, Birmingham**

Overseas Exhibitions

Current Bahrain Fair (01-486 1951)(until January 29) **Bahrain**

January 29-February 7 International Green Week (01-930 7251) **Berlin**

February 4-10 International Toy Fair (01-460 2236) **Nuremberg**

February 7-10 Air Transport, Airport Services & Cargo Handling Exhibition - ARAB AIR (01-936 8537) **Dubai**

February 10-14 Instrumentation and Scientific Control Equipment Exhibition - INSTRUMENTATION TURKEY (01-486 1951) **Istanbul**

February 20-24 International Trade Fair (Consumer Goods) (01-734 0543) **Frankfurt**

Business and Management Conferences

January 25-26 Financial Times Conferences; Civil aviation in the Pacific basin: the pattern of the future (01-925 2323) **Shangri-La Hotel, Singapore**

January 26 EMAP Conferences: Corporate pensions - countdown to change - the definitive guide to the new legislation and regulations (01-404 4844) **Cavendish Conference Centre, London W1**

January 27 The Association of Corporate Treasurers: Commercial paper - the opportunities (01-631 1991) **Cafe Royal, London W1**

February 2 Institute of Directors: Bosses in the dark on computer risks (01-839 1233) **116 Pall Mall, London SW1**

February 4 Spectra Retail Concepts; Looking forward at PC based instore systems (0734 794161) **Cafe Royal, London W1**

February 8-9 Financial Times Conferences: The European Food and Drink Industry (01-925 2323) **Hotel Inter-Continental, London**

February 9-10 Frost & Sullivan: Fibre optics in communications systems (01-730 3438) **Portman Hotel, London W1**

February 10-11 Euromoney: Financial Law (01-236 3288) **Hotel Inter-Continental, London**

February 11,12,15 Financial Times City seminar (01-925 2323) **Plaisterers Hall, London EC2**

February 11-12 The Biscuit Cake Chocolate & Confectionery Alliance: 36th technology conference (01-631 3434) **Connaught Rooms, London WC2**

February 15 Financial Times Conferences: The London Motor Conference - Manufacturing, Components and the Aftermarket (01-925 2323) **Hotel Inter-Continental, London**

February 16 Institute of Directors: Retirement - An outdated concept (01-839 1233) **116 Pall Mall, London SW1**

February 18 Drummonds for Conferences: Finance Direct 88 - Direct Marketing Services for Financial Marketeers (05806 5161) **Marriott Hotel, London, W1**

February 24 The Economist: Marketing financial services (01-839 7000) **Marriott Hotel, London, W1**

February 29-March 2 Metal Bulletin Conferences: Third Secondary Aluminium Conference (01-330 4311) **Tara Hotel, London, W8**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

Rentals

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN

YAMAICHI SECURITIES CO., LTD.

Further to our notice of September 29, 1987 EDR holders are informed that Yamaichi Securities has paid a dividend to holders of record September 30, 1987. The cash dividend payable is Yen 13 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.
EDR holders may now present Coupon No. 13 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after April 30, 1988.

Amounts payable in respect of current dividends:

Coupon No. 13 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
10,000 shares	$1,049.72	$891.84	$839.38
1,000 shares	$104.97	$89.18	$83.38

Depositary: Citibank N.A., 336 Strand, London WC2R 1HB

Agent: Citicorp Investment Bank (Luxembourg) S.A., 16 Avenue Marie Therese

January 25, 1988

EUROPEAN COAL AND STEEL COMMUNITY
(E.C.S.C.)
established by the treaty which was signed in Paris on the 18th of April 1951
KIRCHBERG - LUXEMBOURG
(GREAT DUCHY OF LUXEMBOURG)

Bonds 7½% 1973-1988 of FF 250 000 Each
Alphanumerical Code: 828 785
The 7.5% 1973-1988 bondholders of the above company are notified that all the bonds still outstanding and not previously drawn redeemed according to the indenture on January 30th, 1988 at FRF 250 000 per bond.

Company Notices

RE: KANSALLIS INTERNATIONAL BANK S.A.

ECU 25,000,000 Subordinated Floating Rate Notes due 1993

In accordance with the terms and conditions of the notes, notice is hereby given that for the six months period from January 25, 1988 to July 25, 1988, the notes will carry an interest rate of 7 pct (inclusive ¾ pct margin).

The coupon amount so calculated will be ECU 35,388.-

Banque Generale du Luxembourg S.A.
Agent Bank

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices January 22

[illegible]

MONTREAL
Closing prices January 22

[illegible]

Total Sales 4,059,153 shares

OVER-THE-COUNTER *Nasdaq national market, Closing prices, January 22*

Continued from Page 35

[illegible]

Stock	Sales (Hnds)	High	Low	Last	Chng
UST Cp .52	10 30	20½	19¾	20¼	+ ⅜
UTL	12 145	8¼	7½	8¼	+ ½
Ungmn	24 2385	8⅛	7⅞	8	+ ⅛
Unifi	11 874	18¼	17¾	17¾	− ¼
UnPlntr .60	37 181	23¼	22	22¼	−1
UnSpIC	16 145	21	20	20¼	+ ¼
UACm .04	194 131	23¼	22⅞	23¼	+ ⅛
UBCol	27 179	18¾	18½	18⅝	− ¼
UnCosF .55	8 31	18¾	18½	18⅝	+ ½
UHltCr	1039	4½	3⅞	4⅜	+ ⅛
XOMA	610	12⅜	12¼	12¼	
Xicor	118 1681	8⅛	7¾	8¼	+ ⅛
Xidex	2105	8⅝	8⅝	8⅝	+ ⅛
Xylogic	8 33	9½	9½	9½	+ ¼
Xyvsn	18 452	5⅜	5	5⅜	+ ¼
YlowFs .62	20 485	28¼	28	28⅛	+ ¼
ZionUt 1.44	290	24¾	24⅛	24¼	− ½
Zondvn	66	9	7¾	9	+ ⅛
Zycad	1230	4¼	3⅞	4½	+ ⅛

INDICES

NEW YORK — DOW JONES

	Jan. 22	Jan. 21	Jan. 20	Jan. 19	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
♦Industrials	1903.51	1879.31	1879.14	1936.34	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.79	88.49	88.19	88.14	95.51 (9/2/87)	81.26 (19/10/87)	−	−
Transport	742.86	737.57	741.57	755.00	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.25	178.64	178.52	180.06	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 1911.80 (1903.35) Low 1876.16 (1845.99)

STANDARD AND POOR'S	Jan. 22	Jan. 21	Jan. 20	Jan. 19	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	246.50	243.14	242.63	249.32	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	282.44	278.48	277.86	286.22	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.30	22.08	21.92	22.33	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (11/10/74)
NYSE Composite	138.69	136.97	136.72	140.13	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	265.62	263.77	263.97	268.54	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	337.55	334.2	333.68	340.36	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan. 15	Jan. 8	Dec. 31	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.62	3.57	3.23
	Jan. 21	Jan. 14	Dec. 23	year ago (approx.)
S & P Industrial div. yield	3.23	3.17	2.99	2.81
S & P P/E ratio	15.42	15.69	16.64	18.93

TRADING ACTIVITY

† Volume Millions	Jan. 22	Jan. 21	Jan. 20
New York	145.800	137.714	182.098
Amex	8.775	9.228	10.400
OTC	149.160	124.564	133.499

NEW YORK	Jan. 22	Jan. 21	Jan. 20
Issues Traded	1,963	1,946	1,969
Rises	1,131	789	333
Falls	416	728	1,301
Unchanged	416	429	335
New Highs	17	6	8
New Lows	6	13	15

CANADA

TORONTO	Jan. 22	Jan. 21	Jan. 20	Jan. 19	1987-88 High	1987-88 Low
Metals & Minerals	2516.8	2505.9	2533.7	2630.0	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3102.0	3106.9	3122.6	3170.5	4112.9 (13/8/87)	2843.9 (10/11/87)
MONTREAL Portfolio	1545.14	1547.87	1555.43	1585.07	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
ACM govt	5,783,000	12	—
Nthn Indiana PS	5,132,400	10⅛	+ ⅛
Citicorp	4,983,900	19⅞	+ ⅞
Johnson & Jhns	2,298,000	79⅝	+ 5⅛
Amer Brand	1,788,800	47⅞	+ ⅝
Ford Motor	1,599,300	41⅞	+ ⅞
E II Hold	1,523,800	12⅞	+ ⅝
Houston Inds	1,434,100	32	+ ⅜
Dresser Inc	1,420,600	18⅝	+ ⅜
Syntex	1,379,000	36⅝	+ 1⅛

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

	Jan. 22	Jan. 21	Jan. 20	Jan. 19	1987-88 High	1987-88 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1277.5	1276.6	1295.3	1298.7	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	681.8	686.6	702.5	707.9	1462.4 (14/10/87)	586.9 (11/11/87)
AUSTRIA						
Credit Aktien (30/12/84)	168.10	170.52	173.45	174.33	232.19 (22/9/87)	168.10 (22/1/88)
BELGIUM						
Brussels SE (1/1/84)	3857.1	3845.8	3854.4	3851.6	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK						
Copenhagen SE (3/1/83)	184.58	184.16	185.24	186.05	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND						
Unitas General (1975)	549.9	548.9	553.1	552.7	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE						
CAC General (31/12/82)	258.1	253.2	263.5	270.5	460.4 (26/3/87)	255.2 (21/1/88)
Ind. Tendance(31/12/87)	91.9	92.3	93.9	97.1	103.7 (6/1/88)	91.9 (22/1/88)
GERMANY						
FAZ Aktien (31/12/58)	408.17	401.31	405.73	413.7	676.84 (6/1/87)	400.13 (10/11/87)
Commerzbank (1/12/53)	1246.4	1225.2	1238.9	1263.3	2061.1 (17/8/87)	1220.9 (10/11/87)
HONG KONG						
Hang Seng Bank (31/7/64)	2422.38	2412.32	2484.29	2488.15	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY						
Banca Com. Ital. (1972)	474.81	476.32	482.38	489.19	767.34 (30/4/87)	474.81 (22/1/88)
JAPAN **						
Nikkei (16/5/49)	22876.58	22710.26	22843.14	22898.17	26646.43(14/10/87)	18544.00 (13/1/87)
Tokyo SE New (4/1/68)	1821.51	1807.13	1815.23	1820.46	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS						
ANP-CBS General (1970)	214.1	212.2	212.2	216.2	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	164.8	163.8	164.8	167.1	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY						
Oslo SE (4/1/83)	346.95	345.43	354.19	361.05	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE						
Straits Times Ind. (30/12/66)	904.1	909.6	924.0	912.1	1505.4 (26/8/87)	703.4 (7/12/87)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1527.0	1553.0	1563.0	2499.0 (3/8/87)	1448.0 (5/11/87)
JSE Industrial (28/9/78)	(u)	1518.0	1534.0	1536.0	2266.0 (16/10/87)	1402.0 (23/11/87)
SPAIN						
Madrid SE (30/12/85)	245.20	242.95	245.92	247.22	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN						
Jacobson & P. (31/12/56)	2346.2	2285.1	2256.2	2254.0	3550.4 (9/10/87)	2068.6 (10/11/87)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	475.0	470.8	473.6	478.8	729.7 (5/10/87)	450.9 (10/11/87)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	401.0	401.5	404.4	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday January 23: Japan Nikkei 23,125.33, TSE 1,855.56

Base values of all indices are 100 except Brussels SE − 1,000 JSE Gold − 255.7 JSE Industrials − 264.3 and Australia, All Ordinary and Metals − 500; (c) Closed.(u) Unavailable.

Closing prices, January 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR n	.36	2.1	15	33	17¾	17¼	17½	
32½	21	AFG n	.19	.7	10	1200	24⅛	23⅞	24⅛	+⅜
27	10½	AGS n			13	198	15½	15	15	−¼
10½	6¼	AMCA				1	6⅞	6⅞	6⅞	−⅛
9⅝	3¼	AM Intl			50	583	5⅝	5⅛	5⅝	+¼
65½	26¾	AMR			10	4166	33⅛	32⅝	33	+⅞
12¼	6⅝	ARX s			6	101	7¾	7⅝	7¾	
73½	39½	ASA	2a	4.2		619	47⅞	46⅞	47½	−¼
22⅝	9½	AVX			17	103	13¼	15	13⅛	+⅛
67	40	AbtLab	1	2.1	17	4320	47⅝	46½	46⅝	−1⅛
28	18⅝	Abitibi g				3	20	28	28	−⅛
16¾	8½	AcmeC .40		3.6	15	72	11	10½	11	+½
10⅞	6⅜	AcmeE.32b		4.3	26	21	7½	11¼	7½	+⅛
20	14⅛	AdaEx 3.05e		20.		146	15½	15⅜	15⅝	−¼
19½	6⅞	AdamM.24		2.8	7	87	8¾	8½	8¾	+⅛
24¼	7½	AMD				2672	9⅝	2½	8⅝	+⅛
56¾	29¼	AMD pf	3	9.4		514	32	32	32	
11⅞	4¾	Adobe				32	5¾	5⅝	5⅝	−⅛
28½	16¼	Adob pf1.84		11.		20	16⅞	16⅝	16⅞	
21⅞	17½	Adob pf2.40		12.		13	20¼	20¼	20¼	
15	6⅛	Advest .12a		1.7	5	126	7¼	7	7½	
66¼	43½	AetnLf 2.76		6.1	6	1946	45⅛	44¾	45	
83¼	39⅝	AflPub .46		.8	6	173	53¼	52	53	+½
28⅞	13	Ahmans.88		5.4	7	2327	16⅝	16¼	16⅜	+¼
5⅞	1¾	Aileen				60	2	2	2	−⅛
53⅞	29	AirPrd	1	2.5	14	4149	40⅛	39⅛	39⅞	+¼
36	11⅛	AirbFrt .60		4.4	6	462	14⅛	13¼	13⅝	−¼
16½	6¾	Airgas			15	198	16⅝	16¼	10¼	−⅜
19½	13½	Airlease1.16e		12.	16	6	17⅝	17½	17½	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
21¼	15⅝	PfPar n	.2	11.	13	110	18⅝	18⅛	18¼	
33½	20¾	PetRs	3.22e	14.		26	23¾	23⅛	23½	
19¾	15	PetRs	pf1.57	9.8		22	16	15⅞	16	+⅛
2⅛	¾	Ptrlnv	.16e	14.		68	1¼	1⅛	1⅛	
17	40	Pfizer	1.60	3.5	12	4573	52	51¼	51⅞	+1⅛
56	23½	PhelpD	.60	1.6	19	2967	38½	37¼	37⅝	+1¼
74	37	PhlpD	pf 3	6.7		220	53¼	52¼	53	−1⅛
26	16¾	PhilaEl	2.20	11.	9	2923	20¼	20⅛	20¼	+¼

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
86	60	Xerox	3	5.5	12	2528	56¼	54¾	54¾	−1¼
58¼	52½	Xerox	pf5.45	10.		9	53¾	53¼	53⅞	−⅛
31⅛	18⅜	XTRA	.64	2.5	17	86	25⅞	25⅛	25¾	+¼
33⅞	17⅜	Yorkln			9	114	23	22½	22⅝	
7¼	2¼	Zapata				214	2½	2⅜	2½	
37	13½	Zayre	.40	2.7	5	1355	15⅛	14¾	14⅞	
16⅛	6⅝	Zemex	.40	3.8	10	148	11¼	9½	11⅛	+1½
33⅝	10	ZenithE				2206	14¼	13½	13⅝	−½
13½	2½	ZenLab				331	3	2⅞	3	
28	13½	ZenNtl	.80	4.7	8	29	17⅜	16⅝	16⅞	−⅝
20⅝	11⅝	Zero	.36	2.5	15	25	14¾	14⅝	14⅝	+⅛
30¾	13	Zurnin s	.88	3.4	13	217	19⅞	19⅝	16⅛	+⅜
10⅝	7⅝	Zweig	1.08e	11.		871	9⅝	8⅝	9½	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, January 22

OVER-THE-COUNTER

Nasdaq national market, Closing prices January 22

Continued on Page 33

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

The Bank of England sees no ships

BY COLIN MILLHAM

THERE IS a general mood of cynicism in the market about the Bank of England's assertion that round tripping on bills has not been a significant factor recently. Mr Neil MacKinnon, economist at Nomura Research Institute, contends that there was a rise of £1bn in the Bank of England's bill holdings in December, and that this suggests the authorities are turning a blind eye to the problem.

Mr MacKinnon is concerned that the Bank of England is losing control of money supply growth, while some other commentators are unconvinced that figures on UK retail sales and bank borrowing are compatible, as far as the general economic picture is concerned.

Mr Nick Parsons, at Union Discount, says he believes there must be an error in the seasonal adjustment on retail sales, which fell 1.1 p.c. in December, according to last Monday's figures.

The next test for the the markets and the pound may come on Thursday, with the UK trade figures for December. To a large extent poor trade figures are already discounted, on expectations that UK growth will remain above most of its economic partners, sucking in imports.

It would not be a great surprise if the visible trade deficit turns out to be around £1bn and the current account shortfall is £400m. City economists expect invisible earnings to remain at £600m.

But Mr MacKinnon, at Nomura, points out the volatility factor in the figures. He suggests this has been as high as £400m over the last six months, and that the current account deficit could therefore be anywhere between £200m and £1bn.

Mr MacKinnon thinks it is likely that the swing will be beneficial this time and estimates the visible trade deficit will be £900m, against £1.19bn in November, and the current account deficit will be £300m, compared with £595m.

County NatWest, and Kleinwort Grieveson, agree with these figures, but other forecasters are not quite as optimistic. Baring Brothers forecasts a trade deficit of £1.03bn, and a current account shortfall of £431m, while Morgan Grenfell expects £1.04bn and £440m.

Greenwell Montagu, and James Capel expect figures of £1.05bn and £450m respectively.

Market estimates of fourth quarter US gross national product growth , to be published Wednesday, are around 3 p.c., compared with 4.3 p.c. in the third quarter, but this still gives a reasonably strong figure for the year. Mr Marc Hendriks, senior economist at Barings Economics Unit, believes total GNP growth for 1987 will be about 2.8 p.c., against forecasts of 2.5 p.c. at the beginning of last year.

He suggests fourth quarter GNP will grow by 3.1 p.c. but thinks the market will take more notice of US income and consumption in December.

Mr MacKinnon, at Nomura, says there are worries of a fall in real consumer spending, and forecasts that fourth quarter US GNP growth will be as low as 2.2 p.c.

Kleinwort Grieveson Securities takes a rather more optimistic view and has revised up its estimate of the fourth quarter growth figure to 3.3 p.c., following stronger than expected growth in business inventories and the encouraging November trade figures.

Morgan Grenfell estimates a fourth quarter growth figure of 3.5 p.c.

£ IN NEW YORK

Jan 22	Close	Previous Close
£ Spot	1.7875-1.7885	1.7940-1.7950
1 month	0.24-0.23pm	0.25-0.23pm
3 months	0.75-0.72pm	0.74-0.72pm
12 months	2.75-2.65pm	2.73-2.63pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.22	Previous
8.30 am	74.7	74.9
9.00 am	74.7	74.9
10.00 am	74.7	74.9
11.00 am	74.7	74.9
Noon	74.7	74.9
1.00 pm	74.7	74.9
2.00 pm	74.7	74.9
3.00 pm	74.7	74.9
4.00 pm	74.7	74.9

CURRENCY RATES

Jan.22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.765483	0.693214
U.S Dollar	6	1.37343	1.23635
Canadian $	8.75	1.76156	1.58290
Austrian Sch.	3	16.0430	14.5296
Belgian Franc	7	47.7164	43.1887
Danish Krone	7½	8.76042	7.93550
Deutsche Mark	2½	2.28278	2.06680
Neth.Guilder	3¼	2.56351	2.32198
French Franc	9½	7.69602	6.96558
Italian Lira	12½	1675.29	1518.23
Japanese Yen	2½	174.151	157.820
Norway Krone	8	8.71304	7.85761
Spanish Peseta	-	154.924	139.707

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1887	+1.72	+0.97	±1.5344
Danish Krone	7.85212	7.93550	+1.06	+0.31	±1.5404
German D-Mark	2.05853	2.06680	+0.40	-0.35	±1.0981
French Franc	6.90403	6.96558	+0.89	+0.14	±1.3674
Dutch Guilder	2.31943	2.32198	+0.11	-0.64	±1.5012
Irish Punt	0.768411	0.777284	+1.15	+0.40	±1.6684
Italian Lira	1483.58	1518.23	+2.34	+2.11	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7790-1.7910	1.7820-1.7830	0.25-0.22cpm	1.58	0.76-0.71pm	1.65
Canada	2.2700-2.2760	2.2705-2.2715	0.02dis-0.08pm	0.26	0.18-0.05pm	0.20
Netherlands	3.34½-3.35¼	3.34¼-3.35¼	1½-1cpm	4.47	4¼-3½pm	4.55
Belgium	62.14-62.48	62.25-62.35	20-2cpm	2.12	48-26pm	2.38
Denmark	11.43½-11.49½	11.46½-11.47½	par-1½oredis	-0.78	¼-1⅞dis	-0.37
Ireland	1.1203-1.1236	1.1217-1.1227	0.07-0.02cpm	0.48	0.23-0.05pm	0.50
W. Germany	2.97¾-2.99	2.98-2.99	1⅝-1pfpm	5.28	4¾-3⅞pm	5.28
Portugal	221.82-243.32	241.82-242.84	122-206cdis	-8.12	302-440dis	-6.12
Spain	201.63-202.47	201.63-202.10	70-97cdis	-4.96	176-225dis	-3.97
Italy	2189-2196¾	2194-2195	par-7liredis	-1.91	6-17dis	-2.110
Norway	11.33-11.37¾	11.36¼-11.37¼	4½-5⅝oredis	-5.34	15-16½dis	-5.54
France	10.03½-10.07¼	10.05¼-10.06¼	⅞-parcpm	0.52	1⅝-¼pm	0.37
Sweden	10.70½-10.72¼	10.71¼-10.72¼	⅜-1¼oredis	-0.91	1¼-2⅝dis	-0.75
Japan	227¼-228½	227¼-228¼	1⅛-⅞ypm	4.61	3-2¼pm	4.61
Austria	20.96-21.04	21.01-21.04	7¾-6¼gropm	4.07	23⅞-20⅞pm	4.21
Switzerland	2.41¼-2.42½	2.41¼-2.42¼	1⅞-1⅝cpm	7.14	4¼-3⅞pm	6.62

Belgian rate is convertible francs. Financial franc 62.45-62.55 . Six-month forward dollar 1.52-1.47cpm 12 month 2.77-2.67pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

DM / YEN	0.335 / 4.390	0.597 / 7.827	1 / 13.10	76.31 / 1000.	3.374 / 44.21	0.810 / 10.61	1.123 / 14.72	735.3 / 9636	8.761	20.87 / 273.5
F Fr. / B Fr.	0.993 / 0.414	1.771 / 0.737	2.964 / 1.234	226.2 / 94.21	10. / 4.165	2.401 / 1.	3.330 / 1.387	2180 / 907.8	2.255 / 0.939	61.87 / 25.77
H Fl. / Lira	0.298 / 0.456	0.532 / 0.812	0.890 / 1.360	67.94 / 103.8	3.003 / 4.588	0.721 / 1.102	1 / 1.528	654.6 / 1000.	0.677 / 1.035	18.58 / 28.38
C $ / B Fr.	0.440 / 1.605	0.785 / 2.862	1.314 / 4.791	100.3 / 365.7	4.434 / 16.16	1.065 / 3.881	1.476 / 5.382	966.5 / 3523	1 / 3.645	27.43 / 100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7825	1.7801	1.7751	1.7675	1.7553
D-mark	2.9850	2.9719	2.9454	2.9063	2.8328
French Fr.	10.063	10.061	10.055	10.050	10.047
Swiss Fr.	2.4175	2.4030	2.3892	2.3436	2.2773
Yen	227.25	227.16	224.63	221.92	216.61

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
116	4.02	5.01	0.16	1.23
118	2.28	3.50	0.42	2.08
120	1.21	2.45	1.35	3.03
122	0.39	1.57	2.53	4.15
124	0.18	1.18	4.32	5.40
126	0.08	0.54	6.22	7.12
128	0.04	0.34	8.18	8.56
130	0.01	0.20	10.15	10.42

Estimated volume total, Calls 3152 Puts 868. Previous day's open int: Calls 38016 Puts 20912

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
82	9.37	9.14	0.01	0.40
84	7.41	7.38	0.05	1.00
86	5.30	5.61	0.14	1.23
88	3.60	4.30	0.24	1.56
90	2.20	3.15	0.48	2.39
92	1.18	2.19	1.38	3.45
94	0.35	1.37	2.63	4.63
96	0.17	1.03	4.45	6.29

Estimated volume total, Calls 183 Puts 7. Previous day's open int: Calls 1219 Puts 1081

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jan	Calls Feb	Puts-settlements Jan	Puts Feb
16000	17.90	18.67	0.00	0.77
16500	12.90	14.47	0.00	1.57
17000	7.90	10.76	0.00	2.86
17500	2.90	7.64	0.00	4.74
18000	0.00	5.18	2.10	7.28
18500	0.00	3.33	7.10	10.43
19000	0.00	2.04	12.10	14.14
19500	0.00	1.19	17.10	18.29

Estimated volume total, Calls 0 Puts 0. Previous day's open int: Calls 120 Puts 158

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.65	13.18	13.18	13.18	13.18	0.01	0.18	0.51	1.15
1.70	8.18	8.49	8.86	9.38	0.15	0.71	1.36	2.35
1.75	3.99	4.82	5.48	6.27	0.97	2.04	2.90	4.24
1.80	1.34	2.30	3.03	3.91	3.32	4.52	5.53	6.88
1.85	0.28	0.90	1.49	2.27	7.26	8.12	8.99	10.24
1.90	0.03	0.28	0.65	1.23	12.01	12.50	13.15	14.20
1.95	0.00	0.07	—	0.61	16.98	17.29	—	18.58

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.60	-	23.90	-	23.80	-	0.30	-	0.30
1.65	-	14.80	-	18.65	-	0.25	-	1.30
1.70	8.85	9.25	8.40	13.20	0.35	0.95	2.10	2.05
1.75	4.60	6.90	5.20	7.20	1.05	2.00	3.50	3.40
1.80	2.25	2.70	3.00	4.35	4.45	4.35	5.80	7.50
1.85	0.70	1.50	2.05	2.65	8.65	9.60	10.05	9.80
1.90	0.55	0.85	1.00	2.95	8.60	9.40	14.20	11.20

PHILADELPHIA SE £/$ OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.7778	-	-	1.7890
Jun	1.7703	-	-	1.7812
Sep	1.7631	-	-	1.7742

Estimated volume 0 (80). Previous day's open int. 226 (298)

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Mar	0.7453	0.7467	0.7413	0.7453
Jun	0.7531	0.7543	0.7486	0.7530
Sep	0.7609	0.7610	0.7560	0.7613
Dec	0.7690	-	0.7670	0.7690

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev.
Mar	248.25	248.25	244.30	244.60
Jun	249.50	249.55	245.90	246.05
Sep	250.90	250.90	247.40	247.50

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

• Members of the Accepting Houses Committee. * 7 day deposits 3.50% Sparewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10%-10.25%

MONEY MARKETS

Fears fade of higher base rates

SPECULATION ABOUT an early rise in UK bank base rates faded last week, after reasonably encouraging economic news.

A rise of £4.9bn in UK bank lending was above most estimates, but did not come as a complete surprise to the market, while many economists were prepared to regard the figure as distorted and partly technical.

Fears that narrowly defined sterling M0 growth will exceed the official target ceiling of 6 p.c., by the end of the financial year, eased with news that December growth was only 0.9 p.c., against forecasts of around 1.2 p.c. to 1.5 p.c.

UK clearing bank base lending rate 8½ per cent from December 4

The year-on-year increase of 4.2 p.c. was better than expected, and compared with 4.9 p.c. in November.

Monday's announcement of a 1.1 p.c. fall in December retail sales was somewhat contentious, as far as the market was concerned, leading to questions about seasonal adjustment and credit card debt, at a time when it was known the stores in Oxford Street could hardly cope with the volume of Christmas trade.

But the main worry was perhaps a rise of 2.4 p.c. in November annualised unit labour costs, amid fears that productivity could not keep pace with such an increase.

Economic growth appears to be slowing, according to industrial output figures, while the general state of the economy, including the PSBR figures, suggests the Chancellor still has considerable room for tax cuts in the Budget.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.22) 3 months US dollars		6 months US Dollars	
bid 7	offer 7⅛	bid 7¼	offer 7¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Jan.22	Jan.15		Jan.22	Jan.15
Bills on offer	£100m	£100m	Top accepted rate of discount	8.3228%	8.3429%
Total of applications	£682m	£490m	Average rate of discount	8.3005%	8.3419%
Total allocated	£100m	£100m	Average yield	8.4159%	8.5191%
Minimum accepted bid	97.925%	97.920%	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	70%	90%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan.22	change		Jan.22	change
LONDON			NEW YORK		
Base rates	8½	Unch'd	Prime rates	0.75	Unch'd
7 day interbank	8¼	+½	Federal Funds	6⅝	-¼
3-month interbank	8⅞	-⅛	3 Mth. Treasury Bills	5.99	-0.08
Treasury Bill Tender	8.3419	Unch'd	6 Mth. Treasury Bills	6.47	-0.12
Band 1 Bills	8.875	Unch'd	3 Mth. CD	7.025	-0.05
Band 2 Bills	8.875	Unch'd	FRANKFURT		
Band 3 Bills	8.875	Unch'd	Lombard	4.50	Unch'd
Band 4 Bills	8.875	Unch'd	One mth. Interbank	3.375	Unch'd
3 Mth. Treasury Bill	8⅜	-⅛	Three month	3.425	Unch'd
1 Mth. Bank Bills	8½	+⅛	PARIS		
3 Mth. Bank Bills	8⅞	+⅛	Intervention Rate	7.50	Unch'd
TOKYO			One mth. Interbank	7½	-⅛
One month Bills	3.78125	Unch'd	Three month	8¼	-⅛
Three month Bills	3.90625	Unch'd	MILAN		
BRUSSELS			One month	10¾	+⅜
One month	6½	-⅛	Three month	10⅜	Unch'd
Three month	6½	-⅛	DUBLIN		
AMSTERDAM			One month	8½	Unch'd
One month	4⅛	-⅛	Three month	8⅝	-⅛
Three month	4⅛	-⅛			

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	4.84	Three year	7.67
Broker loan rate	0.00	Two month	5.59	Four year	7.76
Fed.funds	6¾-⅞	Three month	5.96	Five year	8.03
Fed.funds at Intervention	6⅝	Six month	6.47	Seven year	8.28
		One year	6.78	10-year	8.47
		Two year	6.74	30-year	8.66

Jan.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.00-3.10	3.30-3.45	3.30-3.45	3.35-3.50	3.40-3.55	4.50
Paris	7⅛-7¼	7⅛-7⅜	7¾-7⅞	8-8⅛	8¼-8⅜	7.50
Zurich	⅛-⅜	1⅛-1⅜	-	1⅞-2⅛	-	-
Amsterdam	3⅞-4⅛	4-4⅛	-	4⅛-4¼	-	-
Tokyo	3.46875	3.78125	-	3.90625	-	-
Milan	12-13¾	10⅛-11	-	10⅜-10⅞	-	-
Brussels	4.65	6⅜-6⅝	-	6⅜-6⅝	-	-
Dublin	8¼-8½	8⅝-8⅞	1⅝-8⅞	8½-8¾	9-9¼	-

LONDON MONEY RATES

Jan.22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9	8¼	8⅞	8⅞	9⅛	9¼
Interbank Bid	5	8¼	8⅝	8⅝	8⅞	9⅛
Sterling CDs	-	-	8⅝	8⅝	9	9⅛
Local Authority Deps.	8¾	8⅞	9⅛	9⅛	9⅛	9½
Local Authority Bonds	-	-	8⅞	9	9⅛	-
Discount Mkt Deps.	8⅞	8⅞	-	-	-	-
Company Deposits	8⅝	8¼	8⅞	9	9⅛	9¼
Finance House Deposits	-	-	8½	8¾	9	9¼
Treasury Bills (Buy)	-	-	8¼	8⅜	-	-
Bank Bills (Buy)	-	-	8⅝	8⅝	8⅞	-
Fine Trade Bills (Buy)	-	-	8⅞	9¼	9⅛	-
Dollar CDs	-	-	6.95-6.90	7.05-7.00	7.15-7.10	7.60-7.55
SDR Linked Dep Offer	-	-	5⅞	6⅛	6¼	6⅜
SDR Linked Dep Bid	-	-	5⅝	5⅞	6¼	6⅜
ECU Linked Dep Offer	-	-	5¾	6⅛	6½	6⅝
ECU Linked Dep Bid	-	-	5⅝	6	6⅜	6½

Treasury Bills (sell); one-month 8⅜ per cent; three months 8⅜ per cent; Bank Bills (sell): one-month 8⅝ per cent; three months 8⅝ per cent; Treasury Bills; Average tender rate of discount 8.3419 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31 , 1987. Agreed rates for period January 26 1988 to February 23 , 1988, Scheme I: 10.05 p.c., Schemes II & III: 10.09 p.c. Reference rate for period December 1 1987 to December 31 , 1987, Scheme IV: 8.830 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.00 from January 1 , 1988: Bank Deposit Rates for sums at seven days notice 3.00-3.50 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.50 per cent; one-three months 8.25 per cent; three-six months 0.75 per cent; six-nine months 8.75 per cent; nine-twelve months 8.75 per cent; Under £100,000 7½ per cent from January 7,1988. Deposits withdrawn for cash 5.00 per cent.

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT.,LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, January 20,1988 . The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

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24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.24048 SDR1=$US1.37152
As of January 20,at 11.00a.m.

	3 months	6 months
Eurodollar Libor:	7¼	7⅞
Sibor:	7⅝	7⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60(o)
Albania	Lek	5.6472
Algeria	Dinar	5.1304
Andorra	French Franc / Spanish Peseta	5.62 / 113.005
Angola	Kwanza	29.918
Antigua	E. Carribean$	2.70
Argentina	Austral	3.89
Aruba	Florin	1.79
Australia	Australian$	1.4031
Greece	Drachma	132.83
Greenland	Danish Krone	6.3985
Grenada	E. Caribbean $	2.70
Guadaloupe	Local Franc	5.62
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00(o) / 2.560(f)
Guinea	French Franc (f)	440.00 / 300.00
Guinea-Bissau	Peso	650.00
Pakistan	Pakistan Rupee	17.4937
Panama	Balboa	1.00
Papua New Guinea	Kina	0.9013
Paraguay	Guarani	320.00 (n) / 550.00 (p) / 870.50 (d)
Peru	Inti (o,n,2)	33.00